

Product 3: Final Report

Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in  
Peru (2008 – 2010) – Final Version

Consultancy for the EITI Peru Multi-Sector Working  
Committee

13 December 2011

(UNOFFICIAL TRANSLATION)

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Lima, 13 December 2011

Mr José Luis Carbajal Briceño  
Technical Secretary of the EITI Peru Multi-Sector Permanent Committee  
Director General of the General Office of Social Management  
Ministry of Energy and Mines

Dear Mr Carbajal

In accordance with the Contract undertaken with the Swiss Confederation – State Secretariat for Economic Affairs – SECO (hereafter called the 'Contract' and 'SECO' respectively), signed on 13 July 2011, of which the EITI Peru Multi-Sector Permanent Committee (hereafter called the 'EITI Committee') is the beneficiary, and taking in account the following:

- that the date for the commencement of work was set for 5 August 2011
- that it was agreed that Product No. 3, Final Report, would be presented forty (40) calendar days after validation by the EITI Committee of Product No. 2, Mid-term Progress Report, which took place on 2 November 2011
- that it shall be necessary for Product 3 to be reviewed and endorsed by the Committee within a period of no more than ten (10) calendar days from the date of presentation,

please find attached Product 3, Final Report (Third Report). This includes the following:

- an Executive Summary
- the specific methodologies applied
- the final outcomes of the reconciliation involving the payments effected by the participating companies and the revenues received by the Peruvian State through public institutions and the respective distribution of such revenues
- conclusions and recommendations.

In addition, statistical information which the Working Committee requested to be included in this Product has been included. This information includes:

- aggregated total of revenues received by the Peruvian Government from extractive sector companies that were not signed up to the Initiative during the period 2008 to 2010
- totals represented by oil service contracts during the period 2008 to 2010
- total voluntary mining contribution during the period 2007 to 2011.

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We appreciate this opportunity to work with you and are most grateful for the cooperation and assistance afforded during the compilation of this Report. We would be delighted to discuss with you, or with other members of the Committee, any matter concerning our activities or this report which you may wish to discuss.

Yours sincerely

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Ernst & Young Asesores S. Civil de R.L.  
Numa Arellano  
Socio

c. c. Swiss Confederation – State Secretariat for Economic Affairs – SECO (Mr Christian Robin)

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# Consultancy for the Preparation of the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)

## Executive Summary

The purpose of the Second EITI-Peru National Reconciliation Study (hereafter called the 'Study') was to conduct an independent review and analysis of the payments made to the Peruvian Government by certain mining, oil and gas companies, participating voluntarily in this study, which operate on Peruvian national territory. The study also covers the revenues that various Peruvian government entities received from these extractive industry companies and also the distribution of such at central, regional and local level during the period 2008 - 2010, in compliance with the tax and non-tax obligations applicable according to the legislation in force in the country.

As such, the EITI Peru Multi-Sector Permanent Committee (hereafter called the 'Working Committee' or 'Committee') decided that:

- 1) The outcomes of the Study must reflect the value of the payments made by the extractive industry companies signed up to the Initiative. These payments are in the form of income tax, royalties and validity rights which meet the materiality threshold set by this second Study, just as in the first EITI Study conducted in 2009.
- 2) The outcomes of this study must reflect the participation of the companies from the below-named subsectors which:
  - (a) represent a share of no less than 75% of the net annual total for national mining production
  - (b) represent a share of no less than 85% of the net annual total for national hydrocarbon production.

In the case of extractive industry companies not signed up to this Initiative, the outcomes of the Second National Reconciliation Study reflect the following.

- (a) The aggregated total of revenues received by the Government from extractive industry companies which are not signed up to the Initiative, in the form of the tax and non-tax related obligations stated below, as a proportion of the total received by the collecting entities during the fiscal year in question:
  - income tax calculated by the tax payer (on the basis of sworn declarations, issued annually during the period 2008 – 2010, by the mining and hydrocarbons subsectors)
  - royalties corresponding to the period 2008 – 2010 (mining and oil subsectors)
  - validity rights corresponding to the period 2008 – 2010 (for the mining subsector only).
- (b) The number of companies, by subsector, with a production value exceeding an average of:
  - 2% of the total value of national mining production
  - 2% of the total value of national liquid hydrocarbons production
  - 1% of the total value of national production of natural gas.

The scope of the Consultant's services is limited to compiling the Second National Reconciliation Study of EITI Peru in respect of the 51 companies voluntarily signed up to the Initiative.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

With regard to the scope of the Study, the Committee has established the Terms of Reference which appear in the contract signed with SECO. The contract defines the procedures for carrying out the Second Study. As such, the Committee is solely responsible for determining the suitability of the procedures for realising its aims and for the adequacy of the documentation and evidence in respect of the aims of the Second National Reconciliation Study of EITI Peru.

## Representation of the companies signed up to the Second Reconciliation Study of EITI Peru

### Mining sector

The net total mining production of the companies signed up to the current Study, and the percentage of national production that they represent, is given below:

- a. In 2008, the participation rate of the companies signed up to EITI Peru was 86.94%, which represents US\$18,571,667,437.25 out of the total production of US\$21,360,787,878.68.
- b. In 2009, the participation rate of the companies signed up to EITI Peru was 84.41%, which represents US\$15,330,224,405.13 out of the total production of US\$18,161,827,319.09.
- c. In 2010, the participation rate of the companies signed up to EITI Peru was 83.42%, which represents US\$19,531,240,178.23 out of the total production of US\$23,412,898,359.70.

SOURCE: Monthly Statistics – General Directorate of Mining / Department of Mining Production  
COMPILED BY: General Office of Social Management – Ministry of Energy and Mines  
METALS: copper, silver, lead, zinc, gold, tin, molybdenum

### Hydrocarbons sector

The hydrocarbons production of the companies signed up to the current Study and the percentage of national production that they represent is given below.

- a. In 2008, the participation rate in the net total production of the companies signed up to EITI Peru (liquid hydrocarbons and natural gas) was 88.06%, which represents US\$4,816,484,594.53 out of the total production of US\$5,469,782,912.62.
- b. In 2009, the participation rate in the net total production of the companies signed up to EITI Peru (liquid hydrocarbons and natural gas) was 89.73%, which represents US\$3,377,548,732.00 out of the total production of US\$3,764,019,398.81.
- c. In 2010, the participation rate in the net total production of the companies signed up to EITI Peru (liquid hydrocarbons and natural gas) was 90.33%, which represents US\$5,137,416,902.55 out of the total production of US\$5,687,106,187.72.

SOURCE: Monthly Statistics – General Directorate of Mining / Department of Mining Production  
COMPILED BY: General Office of Social Management – Ministry of Energy and Mines

Participation of companies in the Second Study

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

Fifty-one companies participated in this Second Study: 33 from the mining sector and 18 from the hydrocarbons sector. This compares with 33 companies that participated in the First Study of which 24 were from the mining sector and nine from the hydrocarbons sector. This represents an overall increase of 54.5%: 37.5% in the mining sector and 100% in the hydrocarbons sector.

In addition, six public institutions participated in the Reconciliation process in the collection and distribution phases:

- National Superintendency of Tax Administration (hereafter called 'SUNAT')
- Ministry of Economy and Finance (hereafter called 'MEF')
- Geological, Mining and Metallurgy Institute (hereafter called 'INGEMMET')
- Ministry of Energy and Mines (hereafter called 'MEM')
- Presidential Office of the Council of Ministers (hereafter called 'PCM')
- Perupetro

The payments effected to the Peruvian State by the extractive industry companies involved in the present Study were:

- income tax
- mining royalties
- hydrocarbons royalties
- validity rights

In its role as reconciler, Ernst & Young accomplished the following tasks.

- Analysis and documentation of the process of effecting payments, receipt of revenues and the distribution of payments effected by the extractive industry companies to the various State bodies, with the aim of including conceptual information about this process. To this end, on the basis of the type of payment reconciled, a conceptual framework is used which combines the payments, legal basis, participants, calculation basis, frequency, utilisation of resources distributed, collection process, and distribution of the payments included in this Study.
- Reconciliation of the payments effected to the Peruvian State by the companies signed up to the Study in the form of income tax, mining royalties, hydrocarbons royalties and validity rights with the declarations by the public institutions of the totals collected in the form of the aforesaid payments. For this purpose, data was requested from the companies and institutions using a pre-formatted template. The data was then processed and discrepancies identified. Where there were discrepancies, the reconciled totals were double-checked in order to be able to clarify the discrepancies originally identified.
- Reconciliation of the revenues collected in the forms named above and the sums distributed by the relevant public institutions: MEF and PCM in the case of income tax and mining royalties; Perupetro and PCM in the case of hydrocarbons and gas royalties; and INGEMMET in the case of validity rights.
- Consideration of recommendations and conclusions with reference to the outcomes of the Study.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

With the exception of income tax, in all cases reconciliation was conducted on the basis of sums declared and paid by the companies. In the case of income tax, reconciliation was conducted on the basis of sums declared annually to SUNAT. There were two reasons for this:

- Payment of income tax is not effected in one single action as is the case for the other payments. In this case, companies make monthly payments on account, annual adjustments of income tax and credit applications, among other procedures. It is therefore more efficient to conduct the review on the basis of the total declared. This is ultimately the same as the total paid over time.
- The distribution of income tax in the form of a mining canon is effected on the basis of the totals declared annually to SUNAT by companies using the Annual Sworn Declaration.

The scope of our work was limited to the areas indicated in the preceding paragraphs.

## **Conclusions of the Reconciliation Study regarding payments made to the Peruvian State by the companies signed up to this Study and the revenues which the State entities received from those companies**

The final outcomes of the Reconciliation of the payments made to the Peruvian State by the companies signed up to this Study and the revenues which the State entities received from those companies are set out below.

- In the case of income tax Reconciliation, we did not find any discrepancies between the payments effected by the companies which have signed up and the revenues received by the State institutions.
- In the case of the mining royalties, we identified a discrepancy of S/.110,764 [S/. being Peruvian *nuevos soles*] from a total of S/.1,249,024,351, for the period 2008 – 2010. This represents 0.009% of the total mining royalties reconciled. In comparison with the total collected in the Second Study, a sum of S/.31,704,457,467, the aforesaid discrepancy represents less than 0.001%.
- In the case of hydrocarbons royalties, we identified a discrepancy of US\$14,558 from a total of US\$2,824,038,049, for the period 2008 – 2010. This represents 0.001% of the total reconciled. In comparison with the total collected in the Second Study, a sum of S/.31,704,457,467, the aforesaid discrepancy represents less than 0.001%.
- In the case of validity rights, we identified a discrepancy of US\$942,359 from a total of US\$23,924,029, for the period 2008 – 2010. This represents 3.939% of the total reconciled. In comparison with the total collected in the Second Study, a sum of S/.31,704,457,467, this inconsistency represents less than 0.009%.

These discrepancies mainly represent reported payments relating to 'mining denouncements' (notice of discovery) on the part of companies which do not register ownership of the mines in question. Similarly, we identify mining denouncements in the name of companies which are signed up to the Study where the validity rights would have been paid by third parties. Additionally, discrepancies also correspond to the use of average exchange rates for converting the figures given in Peruvian currency, *nuevos soles*, for reconciliation purposes.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## **Conclusions of the Reconciliation Study regarding revenues collected by State institutions and the sums distributed at central, regional and local level**

Official information on the distribution of the mining, oil and gas canon, oil *sobre canon* (royalty surtax) and mining royalties is prepared by State institutions in aggregated form and without a breakdown of the amounts for distribution in terms of payment by contributing company. Furthermore, the 51 companies signed up to the Study do not represent 100% of national production of extracted resources. Given these two facts, the figures for distribution by company were recalculated. It was considered reasonable that the results of the aforesaid recalculations should be less than or equal to, depending on the case, the official figures reported by the respective public institutions, PCM and INGEMMET.

This recalculation yielded the following results: in the case of the mining canon, mining royalties, oil canon and *sobre canon*, and gas canon, the recalculations were less than, or equal to, the figures reported by the PCM, consistent with the methodology explained in the paragraph above.

Additionally, with regard to the Reconciliation of the validity rights collected by INGEMMET and the totals distributed by the aforesaid institution at central, regional and local level, it was established that the sum distributed by INGEMMET, in the majority of cases, represents 75% of the sums collected, as stipulated in its regulations. The distribution did not need to be recalculated as INGEMMET presented the data in question in terms of the companies signed up to the Study.

## **Conclusions of the Reconciliation Study regarding the participation of the companies signed up to the Study**

This Second Reconciliation Study achieved participation by 51 companies in the Peruvian extractive industry sector: 18 companies from the hydrocarbons subsector and 33 companies from the mining sector. This represents an increase of 54.5% in comparison with the First Study conducted in 2009.

## **Conclusions of the Reconciliation Study regarding the levels of materiality established in the Terms of Reference of the Second National Reconciliation Study of EITI Peru**

In the current Study, it can be observed that the materiality thresholds have been reached in terms of national production volumes by subsector, as established in the Terms of Reference. Specifically, this means greater than 75% in the case of the mining subsector: 86.94% in 2008, 84.41% in 2009, and 83.42% in 2010. In the case of the hydrocarbons sector, the figures are: 88.06% in 2008, 89.73% in 2009, and 90.33% in 2010. Similarly, the participation was gained of all companies with a production rate exceeding 2% of national production volumes in the case of the mining and oil subsectors, and 1% in the case of the gas subsector.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## Recommendations

The recommendations presented in this report are aimed at improving the process of compiling future Reconciliation Studies. Emphasis can be placed on the following.

- INGEMMET should consider implementing a monitoring procedure and information sharing with the General Directorate of Mining of the Ministry of Energy and Mines with regard to ownership of mining denouncements. This is for the purpose of managing validity rights.
- In order to standardise the data requested, in future studies the Working Committee should require the public institutions to use the tools provided by the Reconciler in order to be able to conduct the Reconciliation more efficiently.
- The Working Committee should distribute and channel the information more effectively to the following key personnel within the companies so that they may submit the appropriate information required for the Reconciliation Study:
  - Director of Legal or Regulatory Affairs
  - Financial Director
  - General Accountant
  - Head of Taxes
- The Committee should promote the disaggregated presentation (breakdown) by company of the figures representing the types of payments relevant to this Study.
- In future Reconciliation Studies, in addition to the net totals, the volumes of the resources which generate those totals should be considered. This will result in EITI requirements being met more effectively and alignment with EITI practices in countries which are already members of the Initiative.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## Product 3: Final Report

### I. Aim

The purpose of the Second EITI-Peru National Reconciliation Study (hereafter called the 'Study') was to conduct an independent review and analysis of the payments made to the Peruvian Government by certain mining, oil and gas companies, participating voluntarily in this study, which operate on Peruvian national territory. The study also covers the revenues that various government entities received from these extractive industry companies and also the distribution of such at central, regional and local level during the period 2008 - 2010, in compliance with tax and non-tax obligations applicable under the regulations in force in the country.

In addition, as part of the Study, background information is included on the payment generation process and receipt of revenues from the extractive industries, and on the process involved in distributing the revenues to the various sectors of government and use of those revenues. This information includes: explanations of the process used to calculate income tax; payment methods and mechanisms; frequency of company payments and transfers effected to the various levels of government, etc.

As such, the EITI Peru Multi-Sector Permanent Committee (hereafter called the 'Working Committee' or 'Committee') decided that the following.

- 1) The outcomes of the Study must reflect the value of the payments made by the extractive industry companies signed up to the Initiative. Such payments are in the form of income tax, royalties and validity rights which meet the materiality threshold set by this Second Study, just as in the first EITI Study conducted in 2009.
- 2) The outcomes of this Study must reflect the participation of the companies from the below-named subsectors which:
  - (a) represent a share of no less than 75% of the net annual total for national mining production
  - (b) represent a share of no less than 85% of the net annual total for national hydrocarbons production.

As such, and in line with the specific objectives established, the Second National Reconciliation Study aimed to reflect the share of material participation on the part of the extractive industry companies signed up to EITI in Peru in generating resources which are channelled by the central government, through tax and non-tax revenues originating from the mining and hydrocarbons subsectors, and subsequently distributed to regional and local governments.

## Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

However, in the case of extractive industry companies not signed up to this Initiative, the outcomes of the Second National Reconciliation Study reflect the following.

- (a) The aggregated total of the revenues received by the Peruvian Government from extractive industry companies which are not signed up to the Initiative, in the form of the following tax and non-tax related obligations, calculated on the basis of the total received by the collecting entities in the fiscal year, according to type of revenue in question:
- income tax calculated by the tax payer on the basis of sworn declarations, issued annually during the period 2008 – 2010, by the mining and hydrocarbons subsectors
  - royalties corresponding to the period 2008 – 2010 (mining and hydrocarbons subsectors)
  - validity rights corresponding to the period 2008 – 2010 (for the mining subsector only).
- (b) The number of companies, by subsector, with a production value exceeding an average of:
- 2% in terms of the total value of national mining production
  - 2% in terms of the total value of national liquid hydrocarbons production
  - 1% in terms of the total value of national production of natural gas.

For the purposes of information accessibility, the data in question were facilitated by the relevant government body according to the type of payment in question.

Given the above, the purpose of this Final Report is to present to the Committee the final outcomes of the Second Study of EITI Peru on 13 December 2011.



# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## II. Scope

### 1. Participating companies

The scope of the service provided by the Consultant is limited to compiling the Second National Reconciliation Study of EITI Peru covering the 51 companies voluntarily signed up to the Initiative. These are as follows:

N°	Company	Participation (*)	Activity
<b>Hydrocarbons Sector</b>			
1	Ecopetrol del Perú S.A.	Aggregated	Exploration
2	Graña y Montero Petrolera S.A.	Aggregated	Production
3	Hunt Oil Company of Peru L.L.C, Peru Division	Aggregated	Production
4	Interoil Perú S.A.	Disaggregated	Production
5	Maple Gas Corporation del Peru S.R.L.	Aggregated	Production
6	Olympic Peru INC, Peru Division	Disaggregated	Production
7	Pacific Stratus Energy S.A. Peru Division	Aggregated	Exploration
8	Perenco Perú Limited, Peru Division	Aggregated	Exploration
9	Petrobras Energía Peru S.A.	Disaggregated	Production
10	Pluspetrol Lote 56 S.A	Aggregated	Production
11	Pluspetrol Camisea S.A.	Aggregated	Production
12	Pluspetrol Norte S.A.	Aggregated	Production
13	Pluspetrol Perú Corporation S.A.	Aggregated	Production
14	Repsol Exploración Perú, Peru Division	Disaggregated	Production
15	Savia Perú S.A.	Aggregated	Production
16	SK Innovation Peruvian Division	Aggregated	Production
17	Sonatrach Perú Corporation S.A.C	Disaggregated	Production
18	Talisman Perú B.V., Peru Division	Aggregated	Exploration
<b>Mining Sector</b>			
1	Anglo American Exploration Peru S.A.	Disaggregated	Exploration
2	Anglo American Michiquillay S.A.	Disaggregated	Exploration
3	Anglo American Perú S.A.	Disaggregated	Exploration
4	Anglo American Quellaveco S.A.	Disaggregated	Exploration
5	Castrovirreyna Compañía Minera S.A.	Aggregated	Production
6	Catalina Huanca Sociedad Minera S.A.C.	Aggregated	Production
7	Compañía Argentum S.A.	Aggregated	Production
8	Compañía de Minas Buenaventura S.A.A.	Disaggregated	Production
9	Compañía Minera Antamina S.A.	Disaggregated	Production
10	Compañía Minera Ares S.A.C	Aggregated	Production
11	Compañía Minera Atacocha S.A.A	Disaggregated	Production
12	Compañía Minera Condestable S.A	Aggregated	Production
13	Compañía Minera Milpo S.A.A.	Disaggregated	Production
14	Compañía Minera Poderosa S.A.	Disaggregated	Production
15	Compañía Minera Raura S.A.	Aggregated	Production
16	Compañía Minera San Juan (Perú) S.A.	Disaggregated	Production
17	Consorcio Minero Horizonte S.A.	Disaggregated	Production
18	Empresa Minera Los Quenuales S.A.	Disaggregated	Production

## Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

N°	Company	Participation (*)	Activity
19	Gold Fields La Cima S.A.A.	Aggregated	Production
20	Lumina Copper S.A.C.	Aggregated	Exploration
21	Minera Barrick Misquichilca S.A.	Disaggregated	Production
22	Minera Bateas S.A.C.	Aggregated	Production
23	Minera Pampa de Cobre S.A.	Disaggregated	Production
24	Minera Suyamarca S.A.C	Aggregated	Production
25	Minera Yanacocha S.R.L.	Disaggregated	Production
26	Minsur S.A.	Disaggregated	Production
27	Pan American Silver S.A. Mina Quiruvilca	Aggregated	Production
28	Río Tinto Minera Perú Limitada S.A.C.	Disaggregated	Exploration
29	Sociedad Minera Cerro Verde S.A.A.	Disaggregated	Production
30	Sociedad Minera El Brocal S.A.A.	Aggregated	Production
31	Southern Peru Copper Corporation, Peru Division	Disaggregated	Production
32	Volcan Compañía Minera S.A.A.	Aggregated	Production
33	Xstrata Tintaya S.A.	Disaggregated	Production

(\*) Aggregated participation: this refers to the preference on the part of certain companies for information to be presented within this Study without their names being mentioned in the reconcilable information, with the companies grouped together in one entry that consolidates the totals in question.

(\*) Disaggregated participation: this refers to the preference on the part of certain companies for information to be presented within this Study with their names included in the reconcilable information, presented individually.

In relation to the scope of the Study, the Committee established the Terms of Reference which appear in the contract signed with SECO. The contract defined the procedures for conducting the Second Study. As such, the EITI Committee is solely responsible for the suitability of procedures for realising its aims and for the suitability of the documentation and evidence for the aims of the Second National Reconciliation Study of EITI Peru. Consequently, we have not commented on the suitability of the procedures for the purposes for which our services were requested nor for any other purpose.

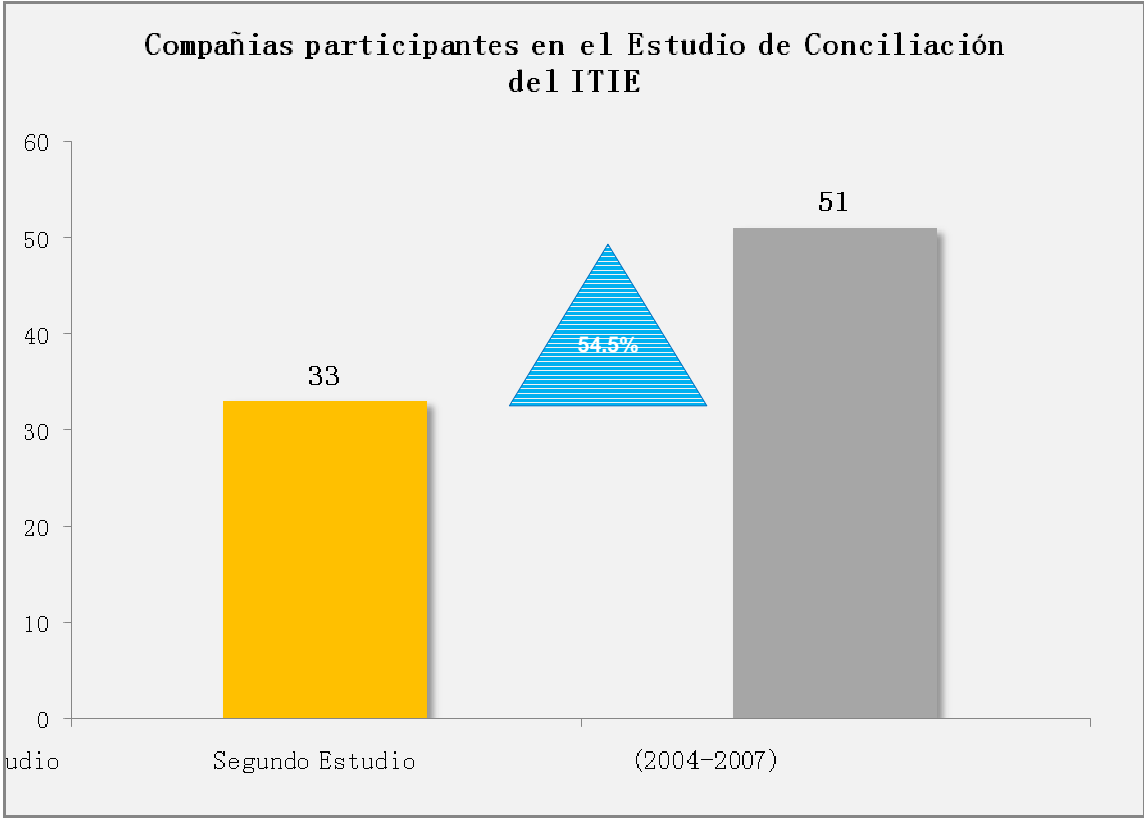
Furthermore, the Directors of the companies have sole obligation and responsibility for the following:

- (a) establishing and maintaining effective internal controls for monitoring company payments made to the Peruvian State, which are the subject of this Study, during the review period;
- (b) the suitability of company documentation regarding internal controls and management of such documentation;
- (c) identifying the laws and regulations applicable and ensuring compliance with them.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

It is important to emphasise the increase in the participation of companies signed up to the Second Study in comparison with the First Study which covered the period 2004 – 2007. In order to be able to visualise this increase in graphic format, we present a breakdown of the changes below.

Graph heading: Companies participating in the EITI Reconciliation Study



Graph key

Yellow: First Study

Grey: Second Study

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## Hydrocarbons subsector participants

First Study (2004 – 2007)

No.	Company
1	Hunt Oil Company of Peru L.L.C.
2	Maple Gas Corporation del Peru S.R.L.
3	Olympic Peru INC, Peru Division
4	Perenco Perú Limited, Peru Division
5	Petrobras Energía Peru S.A.
6	Pluspetrol Norte S.A.
7	Pluspetrol Perú Corporation S.A.
8	Pluspetrol Camisea S.A.
9	Repsol Exploración Perú, Peru Division

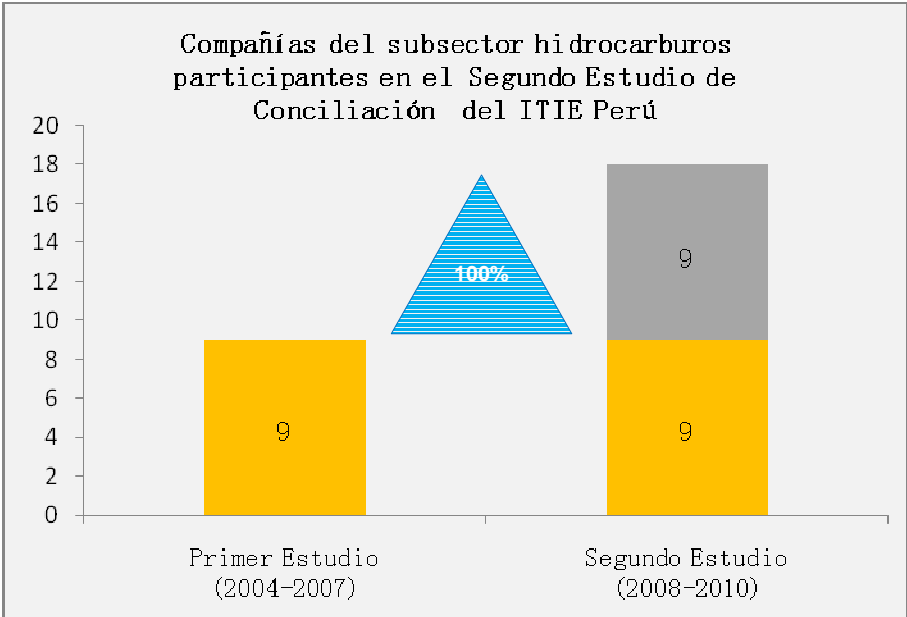
Second Study (2008 – 2010)

No.	Company
1	Hunt Oil Company of Peru L.L.C.
2	Maple Gas Corporation del Peru S.R.L.
3	Olympic Peru INC, Peru Division
4	Perenco Perú Limited, Peru Division
5	Petrobras Energía Peru S.A.
6	Pluspetrol Norte S.A.
7	Pluspetrol Perú Corporation S.A.
8	Pluspetrol Camisea S.A.
9	Repsol Exploración Perú, Peru Division

### New participating companies

No.	Company
10	Ecopetrol del Perú S.A.
11	Graña y Montero Petrolera S.A.
12	Talisman Perú B.V., Peru Division
13	SK Innovation Peruvian Division
14	Pacific Stratus Energy S.A. Peru Division
15	Savia Perú S.A.
16	Pluspetrol Lote 56 S.A
17	Interoil Perú S.A.
18	Sonatrach Perú Corporation S.A.C

Graph heading: Companies of the hydrocarbons sector participating in the Second EITI Peru Reconciliation Study



# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## Mining subsector participants

First Study (2004 – 2007) (\*)

No.	Company
1	Compañía de Minas Buenaventura S.A.A.
2	Compañía Minera Antamina S.A.
3	Argentum Mining Company S.A.
4	Compañía Minera Milpo S.A.A.
5	Compañía Minera Raura S.A.
6	Empresa Minera Los Quenuales S.A.
7	Minera Bateas S.A.C.
8	Minera Pampa de Cobre S.A.
9	Minera Yanacocha S.R.L.
10	Minsur S.A.
11	Pan American Silver S.A.C. - Mina Quiruvilca
12	Sociedad Minera Cerro Verde S.A.A.
13	Southern Peru Copper Corporation, Peru Division
14	Xstrata Tintaya S.A.
15	Minera Barrick Misquichilca S.A.
16	Sociedad Minera El Brocal S.A.A.
17	Anglo American Michiquillay S.A.
18	Anglo American Quellaveco S.A.
19	Anglo American Exploration Peru S.A.
20	Río Tinto Minera Perú Limitada S.A.C.

(\*) There were four additional companies in the First Study which are not participating in the Second Study. There are 24 mining companies in total.

Second Study (2008 – 2010)

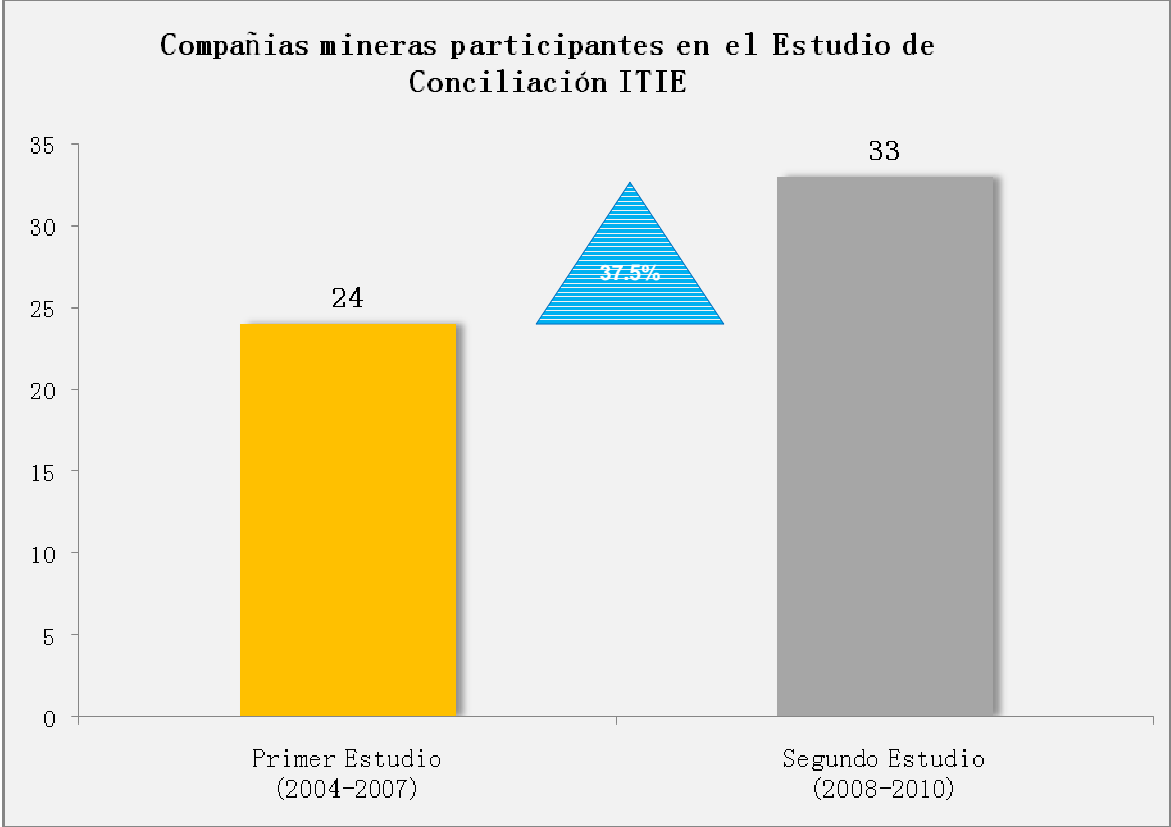
No.	Company
1	Compañía de Minas Buenaventura S.A.A.
2	Compañía Minera Antamina S.A.
3	Argentum Mining Company S.A.
4	Compañía Minera Milpo S.A.A.
5	Compañía Minera Raura S.A.
6	Empresa Minera Los Quenuales S.A.
7	Minera Bateas S.A.C.
8	Minera Pampa de Cobre S.A.
9	Minera Yanacocha S.R.L.
10	Minsur S.A.
11	Pan American Silver S.A.C. - Mina Quiruvilca
12	Sociedad Minera Cerro Verde S.A.A.
13	Southern Peru Copper Corporation, Peru Division
14	Xstrata Tintaya S.A.
15	Minera Barrick Misquichilca S.A.
16	Sociedad Minera El Brocal S.A.A.
17	Anglo American Michiquillay S.A.
18	Anglo American Quellaveco S.A.
19	Anglo American Exploration Peru S.A.
20	Río Tinto Minera Perú Limitada S.A.C.

### New participating companies

No.	Company
21	Castrovirreyna Compañía Minera S.A.
22	Catalina Huanca Sociedad Minera S.A.C.
23	Compañía Minera Ares S.A.C
24	Compañía Minera Condestable S.A
25	Gold Fields La Cima S.A.A.
26	Lumina Copper S.A.C.
27	Minera Suyamarca S.A.C
28	Anglo American Perú S.A.
29	Compañía Minera Atacocha S.A.A
30	Compañía Minera Poderosa S.A.
31	Compañía Minera San Juan (Perú) S.A.
32	Consorcio Minero Horizonte S.A.
33	Volcan Compañía Minera S.A.A.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

Graph heading: Mining companies participating in the Second EITI Peru Reconciliation Study



# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## Hydrocarbons Subsector

According to classification of Aggregated or Non-aggregated

	First Study	Second Study	Increase (%)
Aggregated Companies	2	13	
Disaggregated Companies	7	5	
<b>Total</b>	<b>9</b>	<b>18</b>	<b>100%</b>

## Mining Subsector

	First Study	Second Study	Increase (%)
Aggregated Companies	6	13	
Disaggregated Companies	18	20	
<b>Total</b>	<b>24</b>	<b>33</b>	<b>37.5%</b>

## Hydrocarbons Subsector

Classified according to exploration or production

	First Study	Second Study	Increase (%)
Exploration	1	3	
Production	8	15	
<b>Total</b>	<b>9</b>	<b>18</b>	<b>100%</b>

## Mining Subsector

	First Study	Second Study	Increase (%)
Exploration	5	6	
Production	19	27	
<b>Total</b>	<b>24</b>	<b>33</b>	<b>37.5%</b>

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## 2. Representation of the companies signed up to the Second Reconciliation Study of EITI in Peru

On the basis of the declarations set out in the Terms of Reference of the present Study, below we present the rate of participation in Peruvian mining and hydrocarbons production during the period 2008 – 2010 on the part of the companies signed up to the Second Study.

Sector	Participation of the companies signed up to the Second Study		
	Year 2008	Year 2009	Year 2010
Mining	86.94%	84.41%	83.42%
Hydrocarbons	88.06%	89.73%	90.33%

Source: General Office of Social Management – Ministry of Energy and Mines.

Below we present the net production of the mining and hydrocarbons sector at national level.

### 2.1. Mining sector

METAL	2008	2009	2010
COPPER	8,661,303,527.44	6,454,782,084.41	9,215,329,610.41
SILVER	1,460,037,519.79	1,487,411,707.67	1,883,303,973.58
LEAD	532,375,842.66	355,940,309.28	377,832,697.08
ZINC	2,406,587,433.91	2,034,172,164.17	2,555,420,046.63
GOLD	3,726,795,276.79	4,202,969,160.57	4,289,524,923.05
TIN	733,478,609.87	516,845,083.47	701,899,333.91
MOLYBDENUM	1,051,089,226.79	278,103,895.56	507,929,593.57
<b>TOTAL US\$</b>	<b>18,571,667,437.25</b>	<b>15,330,224,405.13</b>	<b>19,531,240,178.23</b>

Total production value US\$	<b>21,360,787,878.68</b>	<b>18,161,827,319.09</b>	<b>23,412,898,359.70</b>
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Participation rate of companies signed up to EITI Peru	<b>86.94%</b>	<b>84.41%</b>	<b>83.42%</b>
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SOURCE: General Directorate of Mining / Department of Mining Production / Mining Statistics



# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## 2.2. Hydrocarbons sector

Breakdown	Total production value 2008 - US\$		
	Liquid hydrocarbons	Natural gas	Hydrocarbons total
Total net income of companies signed up (C)	3,948,945,057.56	867,539,536.97	4,816,484,594.53
Total net income of companies not signed up (D)	425,641,784.52	227,656,533.57	653,298,318.09
<b>Total net production (E)</b>	<b>4,374,586,842.08</b>	<b>1,095,196,070.54</b>	<b>5,469,782,912.62</b>
Overall participation rate (%) of companies signed up (C/E)			88.06%
Overall participation rate (%) of companies not signed up (D/E)			11.94%

Breakdown	Total production value 2009 - US\$		
	Liquid hydrocarbons	Natural gas	Hydrocarbons total
Total net income of companies signed up (C)	2,973,307,427.37	404,241,304.63	3,377,548,732.00
Total net income of companies not signed up (D)	292,627,227.15	93,843,439.66	386,470,666.81
<b>Total net production (E)</b>	<b>3,265,934,654.52</b>	<b>498,084,744.29</b>	<b>3,764,019,398.81</b>
Overall participation rate (%) of companies signed up (C/E)			89.73%
Overall participation rate (%) of companies not signed up (D/E)			10.27%

Breakdown	Total production value 2010 - US\$		
	Liquid hydrocarbons	Natural gas	Hydrocarbons total
Total net income of companies signed up (C)	4,106,241,706.98	1,031,175,195.57	5,137,416,902.55
Total net income of companies not signed up (D)	440,847,314.94	108,841,970.23	549,689,285.17
<b>Total net production (E)</b>	<b>4,547,089,021.92</b>	<b>1,140,017,165.80</b>	<b>5,687,106,187.72</b>
Overall participation rate (%) of companies signed up (C/E)			90.33%
Overall participation rate (%) of companies not signed up (D/E)			9.67%

SOURCE: Monthly Statistics – General Directorate of Mining / Department of Mining Production

COMPILED BY: General Office of Social Management – Ministry of Energy and Mines

## 2.3 Material participation of companies from the Peruvian extractive industries sector (mining and hydrocarbons)

Below we present a breakdown of representation by the mining and hydrocarbons companies which exceed 2%, in the case of mining and oil companies, and 1%, in the case of gas companies, of the total production value of the extractive industries sector (mining and hydrocarbons):

Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

Year: 2008			
Company	Production value (US\$)	Production share %	Second Study
<b>Mining companies</b>			
Compañía Minera Antamina S.A.	3,840,055,003	14.31%	Signed up
Southern Peru Copper Corporation, Peru Division	3,104,885,393	11.57%	Signed up
Sociedad Minera Cerro Verde S.A.A.	2,385,746,462	8.89%	Signed up
Minera Yanacocha S.R.L.	1,633,411,198	6.09%	Signed up
Minera Barrick Misquichilca S.A.	1,400,799,950	5.22%	Signed up
Volcan Compañía Minera S.A.A.	1,008,188,793	3.76%	Signed up
Xstrata Tintaya S.A.	828,673,908	3.09%	Signed up
Minsur S.A.	749,713,001	2.79%	Signed up
Compañía de Minas Buenaventura S.A.A.	575,190,388	2.14%	Signed up
Empresa Minera Los Quenuales S.A.	543,134,886	2.02%	Signed up
<b>Liquid hydrocarbons companies</b>			
Pluspetrol Perú Corporation S.A. (Lote 88)	1,374,313,717	5.12%	Signed up
Pluspetrol Norte S.A. (Lote 1AB)	1,382,737,110	5.15%	Signed up
<b>Gas companies</b>			
Pluspetrol Perú Corporation	764,922,929	2.85%	Signed up
<b>Subtotal</b>	<b>19,591,772,737</b>	<b>73.02%</b>	
Total of companies with % below requirements	7,238,798,054	26.98%	
<b>Totals</b>	<b>26,830,570,792</b>	<b>100.00%</b>	

Year: 2009			
Company	Production value (US\$)	Production share %	Second Study
<b>Mining companies</b>			
Compañía Minera Antamina S.A.	2,948,974,390	13.45%	Signed up
Minera Yanacocha S.R.L.	2,051,721,819	9.36%	Signed up
Southern Peru Copper Corporation, Peru Division	1,921,862,326	8.77%	Signed up
Sociedad Minera Cerro Verde S.A.A.	1,632,397,842	7.45%	Signed up
Minera Barrick Misquichilca S.A.	1,269,227,275	5.79%	Signed up
Volcan Compañía Minera S.A.A.	812,361,440	3.71%	Signed up
Xstrata Tintaya S.A.	610,771,451	2.79%	Signed up
Compañía de Minas Buenaventura S.A.A.	577,508,627	2.63%	Signed up
Minsur S.A.	519,172,362	2.37%	Signed up
<b>Liquid hydrocarbons companies</b>			
Pluspetrol Perú Corporation S.A. (Lote 88)	1,514,393,194	6.91%	Signed up
Pluspetrol Norte S.A. (Lote 1AB)	674,829,374	3.08%	Signed up
Petrobras Energía Peru S.A.	515,491,703	2.35%	Signed up
<b>Gas companies</b>			
Pluspetrol Perú Corporation	364,387,648	1.66%	Signed up
<b>Subtotal</b>	<b>15,413,099,451</b>	<b>70.30%</b>	
Total of companies with % below requirements	6,512,747,267	29.70%	
<b>Totals</b>	<b>21,925,846,718</b>	<b>100.00%</b>	

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

Year: 2010			
Company	Production value (US\$)	Production share %	Second Study
<b>Mining companies</b>			
Compañía Minera Antamina S.A.	3,847,516,056	13.22%	Signed up
Southern Peru Copper Corporation, Peru Division	2,656,021,457	9.13%	Signed up
Sociedad Minera Cerro Verde S.A.A.	2,494,646,921	8.57%	Signed up
Minera Yanacocha S.R.L.	1,837,331,333	6.31%	Signed up
Minera Barrick Misquichilca S.A.	1,252,696,811	4.30%	Signed up
Volcan Compañía Minera S.A.A.	1,002,763,739	3.45%	Signed up
Xstrata Tintaya S.A.	766,111,177	2.63%	Signed up
Compañía de Minas Buenaventura S.A.A.	762,381,797	2.62%	Signed up
Minsur S.A.	701,899,334	2.41%	Signed up
Compañía Minera Milpo S.A.A.	617,755,928	2.12%	Signed up
<b>Liquid hydrocarbons companies</b>			
Pluspetrol Perú Corporation S.A. (Lote 88)	2,203,650,847	7.57%	Signed up
Pluspetrol Norte S.A. (Lote 1AB)	881,402,242	3.03%	Signed up
<b>Gas companies</b>			
Pluspetrol Perú Corporation	984,534,946	3.38%	Signed up
<b>Subtotal</b>	<b>20,008,712,588</b>	<b>68.76%</b>	
Total of companies with % below those requirements	9,091,291,959	31.24%	
<b>Totals</b>	<b>29,100,004,547</b>	<b>100.00%</b>	

SOURCE: General Directorate of Mining / Department of Mining Production / Mining Statistics

### 3. Payments effected by the participating companies

The Second EITI Peru Reconciliation Study presents the following types of payments made to the Peruvian State by the mining, oil and gas companies that are signed up to the Second Study.

- income tax calculated by the companies signed up (sworn declarations presented annually during the period 2008 – 2010 and sworn substitute and/or amendment declarations presented by the companies to SUNAT)
- royalties corresponding to the period 2008 – 2010 (mining and hydrocarbons subsectors)
- validity rights corresponding to the period 2008 – 2010 (for the mining subsector only).

The Study took into account information pertaining to any legal and/or fiscal stability agreements that mining companies might have together with any licensing and/or service agreements of the companies in the hydrocarbons subsector that are participating in the Second Study.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## 4. Representation of the payments effected by the companies signed up to the Second Study in respect of the national totals by payment type and by subsector

In line with the requirements of the Terms of Reference of this present Study, below we present the level of representation of the payments effected by the companies signed up to the Second Study in the form of income tax, mining and hydrocarbons royalties and validity rights. These are presented in the context of the national total of revenues collected by subsector, in line with the information provided by the public institutions which administer the aforesaid payments.

### 4.1 Income tax – mining subsector

Payment	2008 (in K S/.)		2009 (in K S/.)		2010 (in K S/.)	
	Value	Percentage	Value	Percentage	Value	Percentage
Total collected from companies signed up to the Second EITI Study (1)	6,449,658	90%	5,837,917	91%	7,460,190	85%
Total collected from companies not signed up to the Second EITI Study	680,165	10%	599,828	9%	1,309,388	15%
<b>National total collected according to the National Superintendency of Tax Administration – SUNAT:</b>	<b>7,129,823</b>	<b>100%</b>	<b>6,437,745</b>	<b>100%</b>	<b>8,769,578</b>	<b>100%</b>

#### Note

(1) The total presented in this section is calculated as follows:

Income tax	2008	2009	2010
In K S/. (a)	2,243,385	1,884,457	3,392,973
In K US\$	1,437,550	1,312,570	1,439,214
In K S/. as converted from K US\$ at the then exchange rate (d)= (b x c)	4,206,273	<b>3,953,460</b>	<b>4,067,218</b>
<b>Total (a) + (d)</b>	<b>6,449,658</b>	<b>5,837,917</b>	<b>7,460,191</b>
<b>Exchange rate per 1 US\$ (c)</b>	2.926	3.012	2.826

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## Income tax – hydrocarbons subsector

Payment	2008 In K S/.		2009 In K S/.		2010 In K S/.	
	Total collected from companies signed up to the Second EITI Study (1)	845,530	74%	533,880	69%	1,046,328
Total collected from companies not signed up to the Second EITI Study	296,564	26%	240,270	31%	256,500	20%
<b>National total collected according to the National Superintendency of Tax Administration – SUNAT:</b>	<b>1,142,094</b>	<b>100%</b>	<b>774,150</b>	<b>100%</b>	<b>1,302,828</b>	<b>100%</b>

### Note

(1) The total presented in this section is calculated as follows:

Income tax	2008	2009	2010
In K S/. (a)	401,190	271,689	445,798
In K US\$ (b)	151,859	87,049	212,502
In K S/. as converted from K US\$ at the then exchange rate (d)= (b x c)	444,340	262,191	600,530
<b>Total (a) + (d)</b>	<b>845,530</b>	<b>533,880</b>	<b>1,046,328</b>
<b>Exchange rate per 1 US\$ (c)</b>	S/. 2.926	S/. 3.012	S/. 2.826

## 4.2 Mining royalties

Payment	2008 In K S/.		2009 In K S/.		2010 In K S/.	
	Total collected from companies signed up to the Second EITI Study	348,328	77%	334,147	99%	566,549
Total collected from companies not signed up to the Second EITI Study	106,291	23%	3,824	1%	75,667	12%
<b>National total according to the Ministry of Economy and Finance:</b>	<b>454,619</b>	<b>100%</b>	<b>337,971</b>	<b>100%</b>	<b>642,216</b>	<b>100%</b>

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

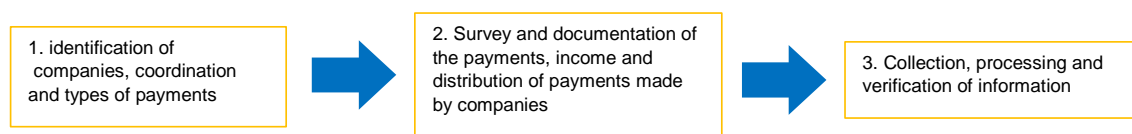
## 4.3 Hydrocarbons royalties

Payment	2008 (In K US\$)		2009 (In K US\$)		2010 (In K US\$)	
	Value	%	Value	%	Value	%
Total collected from companies signed up to the Second EITI Study	953,665	84%	731,510	85%	1,138,863	87%
Total collected from companies not signed up to the Second EITI Study	177,635	16%	128,808	15%	177,635	13%
<b>National total according to Perupetro:</b>	<b>1,131,300</b>	<b>100%</b>	<b>860,318</b>	<b>100%</b>	<b>1,316,498</b>	<b>100%</b>

## 4.4 Validity rights

Payment	2008 (In K US\$)		2009 (In K US\$)		2010 (In K US\$)	
	Value	%	Value	%	Value	%
Total collected from companies signed up to the Second EITI Study	7,758	20%	7,450	21%	8,716	19%
Total collected from companies not signed up to the Second EITI Study	31,643	80%	28,213	79%	37,556	81%
<b>National total according to INGEMMET:</b>	<b>39,401</b>	<b>100%</b>	<b>35,663</b>	<b>100%</b>	<b>46,272</b>	<b>100%</b>

The Second National Reconciliation Study was conducted with the following methodological focus:



### 1. Identifying companies, coordination and payment typologies

- i. We have list of participating companies, which total 51.
- ii. In terms of the typology of company payments, the following information has been reviewed:

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

- Final Amount for Income tax according to the Taxpayer (boxes 504 and 126 and where necessary, obtained from the Sworn Tax declarations that were presented annually during the 2008 – 2010 period as well as Sworn Declarations of Substitutions and/or Rectifications that the companies presented to SUNAT) with the exception of those companies that have more than one economic administrative unit; in these cases, the study used the amounts declared in the mining or hydrocarbon annexes of sworn declarations in question.
- Total Royalties for the 2008-2010 period (mining and hydrocarbons sub-sector).
- Total Validity Rights for the 2008-2010 period (only for the mining sub-sector).

The study also used the information contained in the legal and/or tax stability agreements in the case of mining companies and licensing and/or service contracts for the hydrocarbon sub-sector.

iii. After coordinating with the Commission, we worked with the following entities to obtain information on the revenues reported by the Peruvian State for the 2008-2010 period and its corresponding distribution.

- National Superintendency of Tax Administration (herewith SUNAT).
- Ministry of Economy and Finances (herewith MEF).
- Perupetro.
- Geological Institute for Mining and Metallurgy (herewith INGEMMET).
- Ministry of Energy and Mines (herewith MEM).
- Secretariat for Decentralization of the Presidency of the Council of Ministers (herewith PCM).

The study also considered revenues that are transferred to Regional and Local Governments and other state institutions.

## **2. Information gathering and documentation on the payment process, revenues and payment distributions effected by companies**

The objective was to include conceptual information about the process to generate payments and receive revenues from extractive industries as well as the process to distribute revenues to different strata of the State and execute the same (conceptual precisions, process to calculate the income tax owed, payment modalities and mechanisms, the temporality factor between the payments effected by companies and the transfers made to different levels of government etc.).

Activities include:

- Gathering information on the payment, revenue and distribution process followed by regulating entities.
- Reviewing the normativity that governs the process to generate, pay, collect, distribute and use economic resources during the period covered by the Second Study (2008-2010).
- Obtaining reports on the distribution of resources collected from the companies that participated in the Second National Reconciliation Study at the central, regional and local level.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

- Cross-referencing information on collections and distribution at each company according to the percentages indicated in current normativity and the information available.

### **3. Obtaining, processes and verifying information**

#### **3.1. Obtaining information**

- (i) The information needed to produce the Second National Reconciliation Study for the 2008-2010 period was compiled. For this purpose, information request formats were designed and sent to participating companies and state entities. These formats can be found in the Annexes from I to VI in section ten.
- (ii) With regard to the Income tax as calculated by the taxpayer, we received information from both the companies and SUNAT through Annual Third Category Income tax Payment Declarations from 2008, 2009 and 2010. The information was collected on the final amount calculated for income tax (box 504) and, where applicable, on advance payments for Income tax that have been accredited against the ITAN (box 126) for each taxpayer with the exception of those companies that have more than one administrative economic unit. In these cases we considered the amount declared in the mining or hydrocarbon annexes of the same sworn declarations as indicated in the letter to request information from SUNAT that participating companies sent us. The formats for information and the letter to request information from SUNAT are provided in Annexes I to IV of section X.



# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

- (iii) We requested additional documentation to that indicated above when we detected differences in the reconciliation of payments made by companies and the revenues collected by public institutions.
- (iv) We obtained reports from public institutions regarding the distribution of resources collected in aggregated terms, by geographic areas as well as regional, department, provincial and district distribution without identifying resource distribution by company except in the case of Perupetro, where the information allows us to identify distribution on a per company basis at the departmental level and INGEMMET, whose disaggregated information shows distribution by company at the district level.

## 3.2. Processing and verifying the information

- (i) We systematized the information received on specially designed formats for both the participating companies and public institutions. These formats can be found in Annexes I to IV of Section X. When discrepancies were detected, we requested information from the company and/or state entity in question; where necessary, we requested complementary information only for the point included in the consultation.
- (ii) We reconciled information on the payments made by the companies participating in the Second Study regarding Income tax, Royalties and Validity Rights and the revenues collected by public institutions: SUNAT in the case of Income tax and Mining Royalties; Perupetro in the case of Petroleum and Gas Royalties; and INGEMMET in the case of Validity Rights.
- (iii) We reviewed the information provided by public institutions to reconcile the revenue collected for the aforementioned concepts and the contributions distributed by the corresponding public institutions: DGDFAS-MEF (formerly DGAES-MEF) and PCM in the case of Income tax and Mining Royalties; Perupetro and PCM in the case of Hydrocarbon and Gas Royalties; and INGEMMET in the case of Validity Rights.
- (iv) With regard to income tax (Mining Canon) and Mining Royalties, it is not possible to reconcile the revenues collected by public institutions (from companies participating in the Study) with the amounts distributed given that these amounts are presented in an aggregated manner by geographic zones and not broken down by company. We have recalculated to evaluate the reasonability of distribution for these concepts. In the case of Hydrocarbons, the information provided by Perupetro allowed us to review the distribution of the oil canon and sobre canon (royalty surtax) by company only at the district level. In section VII “Details on the results of the Reconciliation Study on Distribution,” we explain the particularities of the distributed concepts as well as the work done to show the results of the companies’ distribution.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

- (v) The payments that have been reconciled correspond to what the companies actually paid according to the criteria established in the EITI Manual. In the case of Income tax and according to the agreement reached by the Working Commission for EITI Peru, we have reconciled the amount declared in box 504 of the annual Income Tax declaration and the advance payments for Income Tax that have been credited against the ITAN declared in box 126 (where applicable) with the exception of the companies that have more than one administrative economic unit, where we considered the amount declared in the mining or hydrocarbons annexes of the same income tax declarations. The amounts declared in boxes 504 and/or in the mining and hydrocarbon annexes are paid through monthly payments, deductible tax applications, payment regularization of final balances, miscellaneous credit applications, among others. The distribution of Tax Revenues, both in the geographic regions through the canons as well as directly to the Public Treasury, is effected according to annual tax declaration provided by the companies every year in their Sworn Tax declarations.

It is important to stress that according to Peruvian tax norms, taxpayers are classified according to scale and taxes paid. This classification is divided into two large groups: Medium and Small Taxpayers (MEPECOs) and Main Taxpayers (PRICOs). Being part of the PRICOS category gives companies certain benefits but their importance (in terms of the scale of their contributions) also means that they are subjected to more monitoring by the Tax Administration. In practice, higher levels of monitoring are manifested in more frequent fiscalization, which of course entails more requests for information. SUNAT determines which companies qualify for Main Contributor (PRICO) status based on taxpayer declarations and its own criteria and calculations. Companies that are part of the PRICOS category tend to receive better service in the form of more personalized attention; access to special locales for format reception and administrative procedures; as well as access to on-line recalculation of taxes owed (automatic reliquidation of the amount declared) when tax declarations are presented. When PRICOS present their tax declarations, the system recalculates the taxes owed (on-line) while the information contained on the formats is uploaded. Consequently, if an inconsistency is detected on the tax declaration the filer is automatically informed (See Annex IX, Classification of the companies included in the Second Study for National Reconciliation EITI).

Accordingly, it is important to mention that Peruvian legislation does not contemplate, as part of its requirements for declaration and payment of the concepts included in this study, certification or auditing of the figures presented. In light of this, it is important to consider the following:

- Income Tax and Mining Tax: the information provided to the Tax Administration (SUNAT) is considered a sworn declaration according to the Peruvian tax code and as such is subject to review by SUNAT following presentation. The statute of limitations in these cases is generally 4 years in the case of Income Tax, beginning on January 1 of the year after the corresponding Sworn Tax declaration and Mining Royalties Declaration has been presented. In the case of Mining Royalties, the statute of limitations was set at four years in 2007.
- Hydrocarbon royalties: are calculated by the collections agency (Perupetro); companies are obligated to pay the calculated amount following a simple validation process.

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- Validity rights are determined by INGEMMET, which issues a database of the amounts paid for denouncements based on their calculations and sends it to the banking entities so that title owners can make the corresponding payments.

Review the legal basis of the concepts mentioned above in numeral 1.2 of the Conceptual Framework for concepts that are included in the Second Reconciliation Study (Section IV).

Public institutions are supervised by the General Controller of the Republic, which is the highest oversight body of the Peruvian State. The latter monitors these institutions to determine if their internal control is adequate and evaluate the reasonability of their financial statements among other factors.

The information provided by the companies that participated in the reconciliation study was presented on formats that had been specifically designed for the Second Study's purposes. These formats were signed by the legal representatives of the companies participating in the Second Study, who declared that Management at their organizations was responsible for the veracity of the information contained therein.

#### IV. Conceptual framework of the concepts that are part of the Second Reconciliation Study EITI

In the Peruvian context, the extractive sector, through its most representative segments (the mining, petroleum and gas industries), makes cash payments to the Peruvian State for different tax concepts (Income Tax) and non-tax concepts (Royalties and Validity Rights) among others. The table below provides a summary of how the payments made by extractive companies are collected by public institutions and how they are distributed.

Payment concept	Collection frequency	Institution responsible for collections	Institution responsible for distribution	Distribution frequency	Distribution concept
Income Tax (IR)	Annual	SUNAT	DGDFAS-MEF (formerly DGAES – MEF) PCM DGTP - MEF	Annual	Mining Canon (50% income tax)  Gas canon (50% income tax + 50% Gas royalty)
Mining royalty	Monthly	SUNAT	DGDFAS-MEF (antes DGAES – MEF) PCM DGTP - MEF	Monthly	Mining royalty (100% Mining Royalty)
Petroleum royalty	Every two weeks	Perupetro	Perupetro DGDFAS-MEF (antes DGAES – MEF) PCM DGTP - MEF	Monthly	Petroleum Canon (100% Petroleum Royalty)
Gas Royalty	Every two weeks	Perupetro	Perupetro DGDFAS-MEF (antes DGAES – MEF) PCM DGTP - MEF	Monthly	Gas Canon (50% income tax + 50% Gas Royalty)
Validity Rights	Annual	INGEMMET	INGEMMET	Monthly	Validity Rights

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## **Acronyms**

SUNAT: National Superintendency of Tax Administration

INGEMMET: Geological, Mining and Metallurgic Institute

-MEF: General Directorate for Fiscal Decentralization and Social Affairs of the Ministry of Economy and Finances

DGAES – MEF: General Directorate of Economic and Social Affairs of the Ministry of Economy and Finance (as of 2011, the DGAES is divided into four offices; currently, the General Directorate of Fiscal Decentralization and Social Affairs (DGDFAS) is in charge of the functions that were previously managed by DGAES – MEF).

PCM: Presidential Office of the Council of Ministers

DGTP – MEF: General Directorate of the Public Treasury of the Ministry of Economy and Finances

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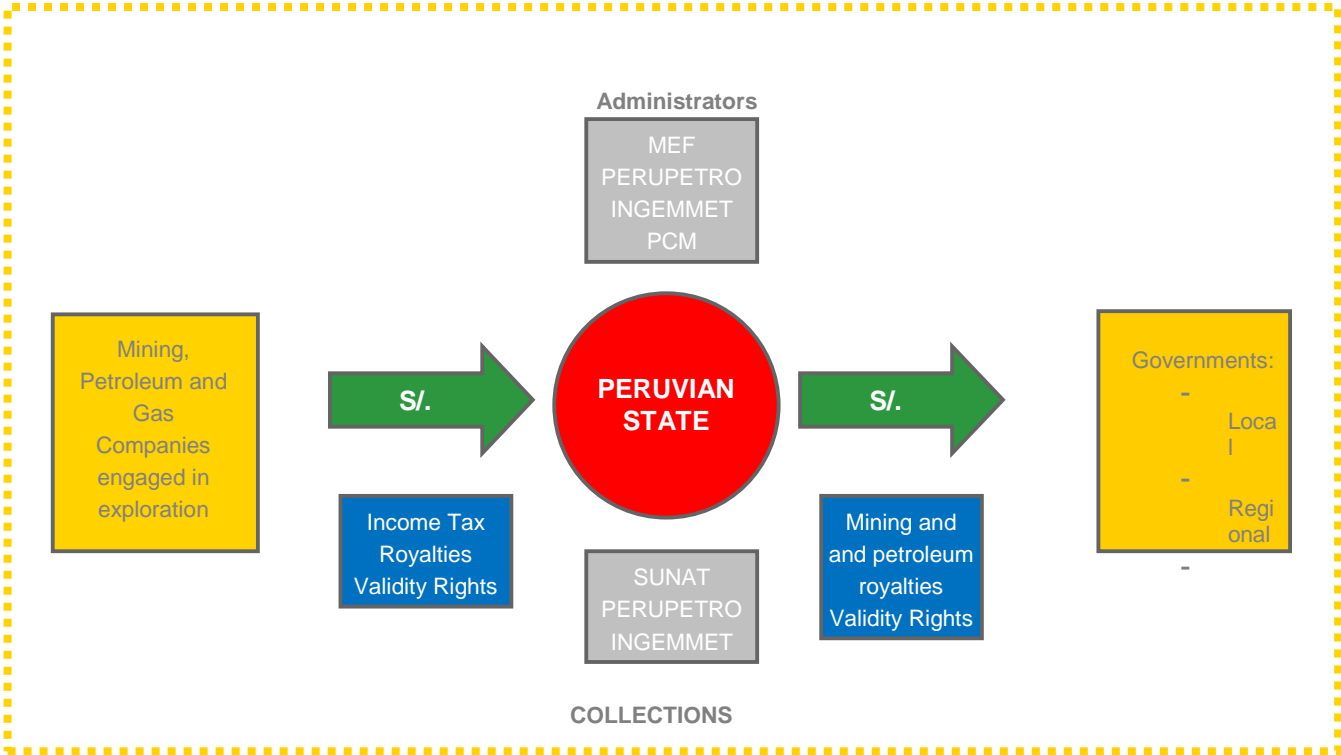
Next, we describe the role and mechanisms used by the State Institutions that collect taxes covered by this Second Study:

- SUNAT: SUNAT is a decentralized public institution in the Economy and Finance Sector. It is considered a juridical person under Public Law and has its own assets as well as economic, administrative, functional and technical autonomy. SUNAT's technical role is to administer, fiscalize and collect internal taxes (i.e. the Income Tax and Mining Royalties), with the exception of municipal taxes, and engage in the same functions with regard to contributions to Social Security for Health (ESSALUD) and the Office of Obligatory Regularizations (ONP). SUNAT uses mechanisms such as the Sworn Declarations presented by taxpayers to collect, administer and fiscalize the resources obtained from the different taxes levied in accordance with Peruvian tax laws. These sworn declarations are binding with regard to the information contained within and are subject to fiscalization during defined periods.
- PERUPETRO: This is a State Company that is subject to private law. It is in charge of promoting investment in hydrocarbon exploration and exploitation activities in the country. As the State's representative, Perupetro negotiates, enters into contracts and supervises corresponding contracts such as Technical Assessment Agreements. This entity also commercializes, through third parties and based on free market principles, the hydrocarbons derived from contracted sites under the service modality. This entity is subject to subsequent fiscalization and a results-based review by the General Controller of the Republic and the Energy and Mining sector and operates under the common tax code for private businesses. Perupetro is also in charge of calculating and collecting royalties from the hydrocarbon sales made by extractive companies.
- INGEMMET: The Geological Mining and Metallurgic Institute has many functions: it receives, accepts for processing and processes petitions for mining concessions at the national level; grants titles for mining concessions; administers and distributes Validity and Penalty Rights; monitors payments and debts and expedites resolutions of failure to pay validity and penalty rights as well as resolutions indicating exemption from said concept.

## **Conceptual framework of the EITI study**

Next, we will present a general framework to understand how companies in the mining and hydrocarbon sector in Peru inter-relate with State institutions to pay Income Tax, Mining and Hydrocarbon Royalties as well as Validity Right payments and provide information on how these contributions are distributed among local and regional governments. In the pages that follow this scheme, we provide information on the concepts illustrated:

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# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

Next, we will describe the payment typologies that are examined in the Second Study:

## IV.1. Income Tax

### 1. General Aspects

#### 1.1. Concept

Income Tax -

The Third Category Income Tax is the tax that the companies pay on income or earnings that are obtained for business activities, including: commercial, industrial, service-oriented or company-related activities. Generally, these revenues come from taxes on capital and work, which are understood as stemming from a durable source that is prone to generate periodic income.

Domiciled taxpayers pay taxes on their income or annual earnings from global sources and must make advance tax payments.

Mining -

The mining canon corresponds to 50% of the Third Category Income Tax declared by mining companies. According to the Mining Canon Law, this corresponds to the “the Local and Regional Governments effective and adequate share of Total revenues and income obtained by the State for the exploitation of mineral, metallic and non-metallic resources.” According to this law, the resources obtained from the Canon will be used by Local and Regional Governments exclusively for the purpose of engaging in infrastructure works that have a regional and/or local impact.

#### 1.2. Legal base in place for the periods included in this Study

Income Tax -

- D. S. N° 179-2004-EF, Texto Único Ordenado
- D. S. N° 122-94-EF y modificatorias, Reglamento del TUO.

Mining Canon -

- Ley N° 27506 (published on July 10.,2001).
- Regulated by D.S. N° 005-2002-EF (published on January 09, 2002).
- D.S. N° 003 -2003 - EF that modifies D.S. N° 005-200 2-EF- Reglamento de la Ley de Canon (published on January 09, 2003).
- D.S. N° 115 -2003-EF, modifying D.S. N° 005-2002-EF which approved the Reglamento de la Ley de Canon (published on August 14, 2003).
- Ley N° 28077 – Modification of Ley N° 27506 -Ley de Canon (published on September 26, 2003)
- D.S. N° 029 -2004-EF, modifying D.S. N° 005-2002-EF, by which the Reglamento de la Ley N° 27506, Ley del Canon was approved (published on February 17, 2004).
- Ley N° 28322 – Modification of Articles Ley N° 275 06, Ley de Canon, modified by Ley N° 28077 (published on August 10, 2004)
- D.S. N° 187 -2004-EF, modifying D.S. N° 005-2002-EF, through which the Regulations for Ley N° 27506, Ley del Canon were approved (published on December 22, 2004).

#### 1.3. Participants

- Taxpayers: Companies.

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- Collections Agent: SUNAT.
- Distributors: DGDFAS - MEF (formerly DGAES – MEF), PCM, DGTP – MEF.

### 1.4 Calculation Base

Income tax -

Income tax	=	Taxable Base x Rate
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Income Tax is calculated based on the taxable rate of a given year, which is the aggregate of reported earnings and additional concepts for the period less the tax deductions indicated by Law and the current Income Tax Code.

All the contributors' taxable income that is subject to income tax according to legal directives is considered domiciled in the country despite the nationality of natural persons, the location in which the company was chartered or the location of the productive source.

Companies that are fiscally registered in Peru are seen as domiciled in the country.

In general, the Income Tax rate for juridical persons domiciled in the country is 30% (applicable during the 2008-2010 period subject to analysis).

The mining canon is the equivalent to 50% of the Income Tax obtained from the State and paid by mining companies for the right to exploit mineral, metallic and non-metallic resources (applicable for the 2008-2010 period subject to analysis).

### 1.5 Periodicity

Calculation -

- Income Tax: Annual
- Mining Canon: Annual

Collections -

- Income Tax: Monthly through advance payment collections on Income Tax. Income Tax payments are regularized annually.



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- Distribution -
- Mining Canon: Annually as of 2006. During the years 2004 and 2005, the mining canon was distributed monthly; payments were the equivalent of one twelfth of (1/12) of the canon.

### 1.6 The Canon’s utilization

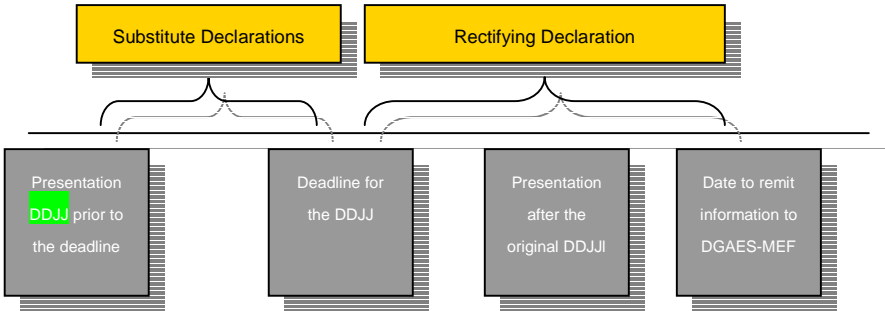
The resources that the local and regional governments receive from the Canon will be used exclusively to cover investment expenses. Resource use is governed by applicable directives of the National System of Public Investments. According to the Canon Law, regional governments must allot 20% of what they perceive to public universities in their areas.

## 2. Procedures in the process to collect Income Tax and distribute the mining canon

### 2.1 Collections

Companies calculate the Income Tax they will pay in their Annual Sworn Declarations by means of the Annual Declaration that is administered by the collections agent, SUNAT. Companies make monthly advance payments on their income and regularize the annual income tax payment and period-end by way of the Annual Sworn Declaration. This annual sworn declaration is presented to SUNAT in March and April of the year following the declaration period. The Income Tax levied for the period (the amount that is used as the basis for the distribution process) corresponds to the amount calculated for Income Tax net credits without the right to devolution (boxes 504 and 516 of the Annual Sworn Income Tax Declaration respectively). Companies can present Rectifying Declarations and Substitute Declarations in lieu of the Annual Sworn Income Tax Declaration.

Substitute declarations are declarations that integrally replace the Sworn Declarations that were presented by the companies prior to the expiration date set by SUNAT. Rectifying declarations, on the other hand, are presented by companies after the date set by SUNAT. For the effects of this study, we have considered the Substitute Declarations and Rectifying Declarations that SUNAT uses to provide information to DGDFAS - MEF (formerly DGAES-MEF) for the corresponding distribution, which usually takes place between the months of April and May.



### 2.2 Distribution

For distribution purposes, MEM provides MEF with information on the title or concessions holders or mining companies that engaged in natural resource extractions during the taxable period, their Tax Identification Number (RUC) and the district location of the resource exploited. Once MEF has this information, it asks SUNAT to indicate the amounts that these taxpayers have paid for Income Tax purposes. The figures that SUNAT reports consider the Rectifying Declarations and Substitute Declarations that it has received to date (usually at the end of April or beginning of May). MEF then

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

uses this information to calculate the Mining Canon, which corresponds to 50% of the Income Tax paid by mining companies during the exploitation phase.

## 2.2.1. Area of Influence

To analyze the distribution of Mining Canon resources, we have defined the area of influence as territory of the Local and Regional Governments where mining concessions are currently engaging in exploitation.

- When title holders possess mining concessions that are in the exploitation stage and located in different circumscriptions (different departments, provinces or districts), distribution is proportional to the tonnage of the extracted mineral based on the information provided by the General Directorate for Mining at the Ministry of Energy and Mines.
- If mining concessions in the exploitation phase covers neighboring circumscriptions (meaning the mining unit's extension involves more than one district, province or department), resources are distributed in equal parts.

To distribute revenues from the Canon between district and provincial municipalities, we currently use the Digital Census Cartography developed by the National Institute of Statistics and Informatics (herewith INEI). This product is being used to demarcate the territorial circumscriptions of the country's districts and provinces until an official cartographic map is developed to precisely mark the boundaries between all of Peru's districts and provinces.

## 2.2.2. Distribution Criteria

The DGDFAS\_MEF receives information on the administrative economic units operated by each mining company by District, Province and Department to identify the areas where the resources that generate the mining canon, which each company must pay to MEM through the General Office Of Mining, DGDFAS-MEF (formerly DGAES – MEF), are located.

The mining canon is distributed in the following way among the regional and local governments according to stipulations in Article N°5 of Ley N° 27506 – Canon Law (applicable for the 2008-2010 period subject to analysis):

- (a) Ten percent (10%) of the total canon is assigned to the local governments of the municipality or district municipalities where the natural resource is extracted.
- (b) Twenty-five percent (25%) of the total canon is allotted to local governments in the province or provinces of the municipalities where the natural resource is exploited.
- (c) Forty percent (40%) of the total canon goes to local governments in the department or departments where the natural resources are exploited.
- (d) Twenty-five percent (25%) of the total canon is allotted to the regional governments where the natural resource is exploited.

Table of Distribution Criteria:

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	%	Beneficiary	Criteria
Mining Canon (50% of Income Tax)	10%	District municipalities where natural resources are exploited	If more than one municipality exists, in equal parts
	25%	Municipalities in the province where natural resources are exploited	According i) Population and ii) Unsatisfied Basic Needs (UBN)
	40%	Municipalities in the department where natural resources are exploited	According to i) Population and ii) Basic Unsatisfied Needs
	25%	Regional Government	80% Regional Government 20% Universities

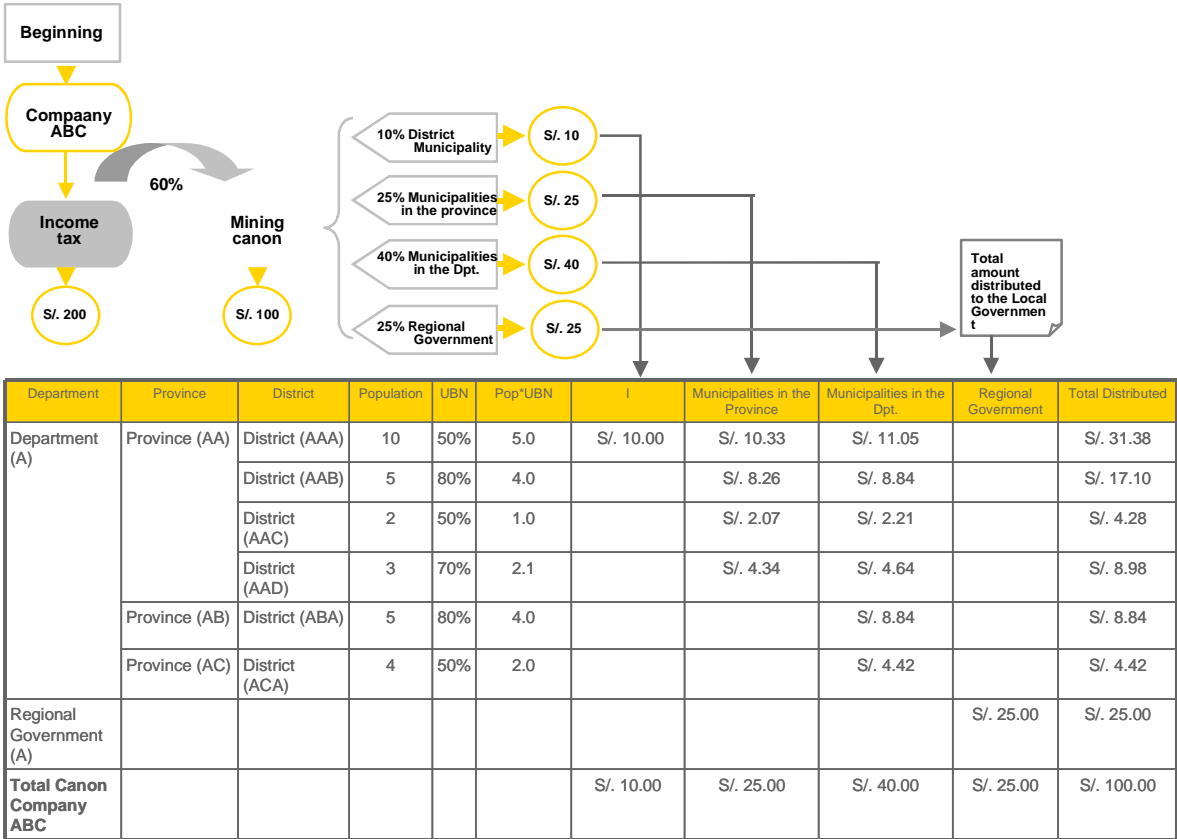
For the effects of the distribution scheme described in letters c) and d) above, the Municipality of Metropolitan Lima and the Regional Government of Lima are mutually exclusive according to the Ley de Bases de la Descentralización y la Ley Orgánica de Gobiernos Regionales (Law for the Bases of Decentralization and the Organic Law of Regional Governments). In the case of the Provincial Province of Callao, the total collections referred to in letter c) will be distributed between the district municipalities and the provincial municipality.

Once this distribution has been made, la DGDFAS - MEF (antes DGAES – MEF) distributes the amount corresponding to the province (25%) and the department (40%) among the districts of said province and said department. This distribution will be made in function of the population with unsatisfied basic needs in corresponding districts.

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To identify the population with unsatisfied basic needs, the Institute National Statistics and Informatics provides the information corresponding to i) the population by district and ii) an Index of Unsatisfied basic needs (UBN) by District-Province-Department. This information is in turn used to determine the population with unsatisfied basic needs by District-Province-Department.

The process to distribute the Mining Canon is described in the figure below (example):



Population: Number of Inhabitants  
 UBN: Unsatisfied basic needs

### 2.2.3. Determining distribution indices:

After determining the mining canon's distribution by mining company, DGDFAS- MEF (formerly DGAES – MEF) obtains the Mining Canon amount that corresponds to the Local Government; next, it proceeds to calculate distribution indices which are the ratio between the revenues obtained by the district municipalities and Regional Governments and the country's total mining canon.

DGDFAS - MEF (formerly DGAES – MEF) informs the Secretariat of Decentralization of the Presidential Office of the Council of Ministers of the following:

- The mining canon total.
- Distribution indices by local and regional government.

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## **2.2.4. Exchange Rate**

The revenues and income that the State has perceived in foreign currency, which serve as the basis to calculate the corresponding Mining Canon, are converted into national currency at the rate of Exchange published by the Superintendence of Banking and Insurance on the day that the Mining Canon transfer is made.

## **2.2.5. Mining Canon Transfers**

The PCM applies the distribution indices that the MEF has reviewed and approved to the total Mining Canon to obtain the amount that will be allotted to local and regional governments.

Next, the PCM informs DGTP - MEF to make the corresponding disbursements in the respective current accounts of the Banco de la Nación.

Using the corresponding deposit slips, the bank must indicate to the local and regional governments which Mining Canon corresponds to said amounts as well as the period to which it belongs.

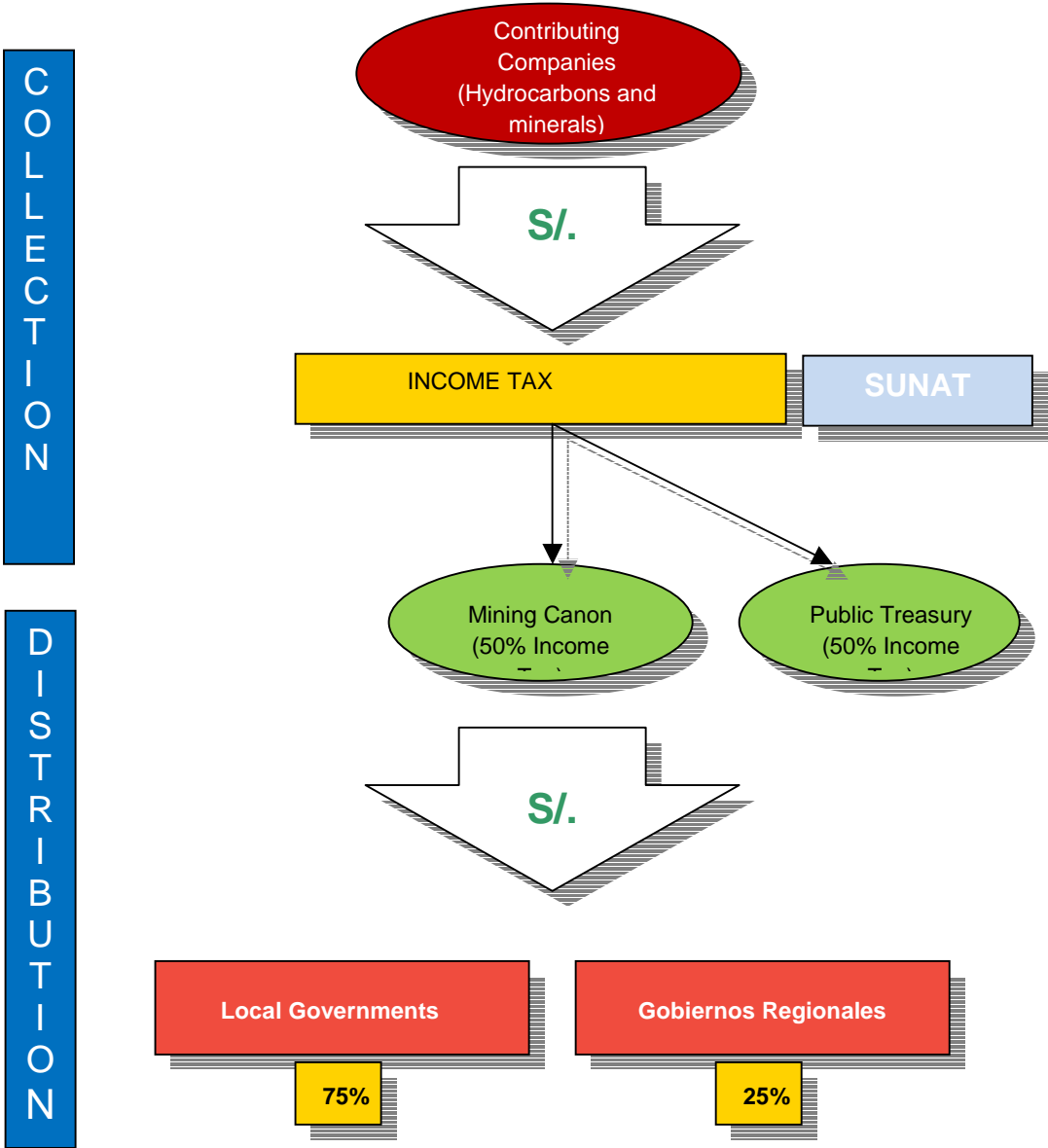
MEF provides information on the procedures used to build the indices as well as the indicators and methodology used to determine the amounts that correspond to local and regional governments on its web page and/or through the Official Daily El Peruano once the Ministerial Resolution on the corresponding Mining Canon has been published.

The periodicity of the mining canon transfer to local and regional governments is as follows: the Mining Canon resources that are derived from Income Tax are transferred in a single deposit in the month of June of the years in question one month after having received information from SUNAT. These quotas are deposited in Banco de la Nación accounts under the corresponding Canon's denomination.

Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

2.3. The scheme for the process to collect Income Tax and distribute the Mining Canon

Next, we will present a schematic diagram of the process to collect Income Tax and distribute the Mining Canon as described in this section. We present the process’s components and provide a sequence of corresponding activities:



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## IV.2. Mining Royalties

### 1. General Aspects

#### 1.1 Concept

Mining Royalties constitute statutory economic contributions. Title owners or mining concessionaires are obligated to make monthly payments to the State for the right to exploit metallic and non-metallic resources. This contribution has been in effect since June 2004.

The mining royalty is paid on the gross value of sales of concentrates or their equivalent according to metal prices in the international market, which are published on a monthly basis by MEF. Gross value is understood as the amount resulting from multiplying unit prices for the unit of measure for the mineral by the total amount of mineral sold, without including taxes or others that affect the total amount billed.

#### 1.2. Legal Basis in place during the periods included in the Study

- Ley 28258 - Ley de Regalía Minera (published on June 4, 2004).
- Ley 28323 – Law that modifies Ley N°28258, Ley de Regalía Minera (published on August 10, 2004).
- D.S. 157-2004-EF – Reglamento de la Ley N°28258, Ley de Regalía Minera (published on November 15, 2004)
- D.S. 018- 2005-EF – Special measures to complement the Reglamento de la Ley de Regalía Minera (published on January 29, 2005).
- Ministerial Resolution 163-2006-EF-15 – Approves the reference exchange rate of the year 2006 for taxpayers subject to the Mining Royalty and whose accounting is in national currency (published on March 23, 2006).

#### 1.3. Participants

- Taxpayers: Mining companies in the exploitation stage.
- Collections agents: MEF, SUNAT.
- Distributors: DGDFAS - MEF (formerly DGAES – MEF), PCM, DGTP – MEF.

#### 1.4. Calculation Base

The calculation base or reference base for the mining royalty payment for the mineral extracted by mining concessions during the exploitation phase will be the difference between:

- (a) The gross value of sales of concentrate or its equivalent or mining component if the same constitute products that will be commercialized or in the absence of the same, the gross value declared by the owner (which will not be less than the duly justified market value). Integrated companies (those that transform the extract resource into a processed good for subsequent commercialization) will pay the equivalent of the gross value of final product sales.
- (b) The total of duties, indirect taxes, insurance, transportation costs, storage, shipping and unloading as well as other costs or expenses assumed by the exporter and contracted under

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

international commercial terms (INCOTERM) where applicable. In terms of the integrated companies mentioned in the previous paragraph, the reference base does not include costs of treatment, meaning direct or indirect production costs, that were incurred in the process to extract minerals after the concentrate, its equivalent or mining component have been obtained.

## 1.5. Periodicity

- Calculation: Monthly
- Collections: Monthly
- Distribution: Monthly

## 1.6. Use

According to article 9° of Ley de Regalía Minera N° 28258, the Mining Royalty contributions received by Regional Governments and Municipalities must be used exclusively to finance or co-finance productive investment projects that articulate mining with economic development in the regions to ensure sustainable development for urban and rural areas.

The resources that the universities receive are to be invested in scientific research and technology.

## 2. Procedure to collect and distribute the mining royalty

### 2.1. Collections

MEF is responsible for collecting and administering the mining royalty. Nevertheless, according to the Ley de Regalías Mineras – Ley 28258, MEF can authorize SUNAT to exercise collections functions.

To calculate the monthly payment for mining royalties, the taxpayers use different percentages depending on whether the extracted mineral has an international quotation or not.

In the case of minerals with international quotations, taxpayers must do the following on a monthly basis:

- (a) Apply the reference base in US Dollars or in national currency, depending on whether or not the taxpayer is authorized to conduct accounting in foreign currency.
- (b) Add the reference base for the calendar year - from January to the month in which calculation takes place, inclusively for concessions in the exploitation phase.
- (c) Companies that authorized to conduct accounting in US Dollars according to letter a) apply the following percentages, which have been established by law, to the value found according to letter b):



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	Range <sup>(1)</sup>	(%) Royalty
<b>First Range</b>	Up to US\$ 60 million	1%
<b>Second Range</b>	In excess of US\$ 60 million and up to US\$ 120 million	2%
<b>Third Range</b>	In excess of S\$ 120 million	3%

- (d) Companies will calculate the mining royalty for the month by deducting the value obtained according to letter c) from the royalties that were calculated and accumulated until the end of the previous month.

In the case of minerals whose prices are not set by international quotations, the royalty is calculated monthly by applying 1 % to the total of the respective reference base relative to mining concessions in the exploitation stage. Companies use the reference base in US dollars or in national currency depending on whether or not said companies are authorized to conduct accounting in foreign currency.

Once the mining royalty is calculated, the taxpayer presents a monthly sworn declaration (PDT Regalía Minera – Virtual Format N°698), which includes the base reference per production unit, indicating the tonnage relative to treated mineral from their concessions.

The declaration will be presented in national currency. If companies are authorized to conduct accounting in foreign currency, they present their declarations in US Dollars.

Payments will be made to SUNAT in national currency.

When the value is calculated in US Dollars, the amount should be converted to national currency by using the average weighted exchange rate for sales— as published in the Superintendence of Banking and Insurance on the last day of the month for which royalties are calculated. If there is no exchange rate on this date, the exchange posted in the previous month will be used.

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<sup>1</sup>Companies that are obligated to conduct accounting in national currency will calculate their canon by using the ranges in the table above converted into national currency. Conversion will apply the reference Exchange rate equivalent to the average weighted sales Exchange rate from the last quarter of the previous year.

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## 2.2. Distribution

After the companies subject to compliance have presented their monthly sworn declarations, SUNAT generates a file to send to MEF. This file contains information on the amounts collected for Mining Royalties, which include payments corresponding to previous periods as well as fines and interest on payments made past deadline. MEF receives this information up to the fifteenth calendar day of the month following the collections month.

### 2.2.1 Distribution Criteria

The PCM calculates the distribution of 100% of the amount obtained for the mining royalty concept in the following way according the Ley de Regalía Minera N°28258:

Table of distribution criteria (applicable to the 2008-2010 period subject to analysis):

	%	Beneficiary	Criteria
Mining royalty per mining concession	20%	District municipality where the mining concession is located (50% will be invested in the communities where the deposit is located)	
	20%	Municipality in the province where the mining concession is located	According i) Population and ii) Unsatisfied Basic Needs (UBN)
	40%	Municipalities of the department where the mining concession is located	According to i) Population and ii) Basic Unsatisfied Needs
	15%	Regional Government	
	5%	National universities in the region where the mining concession is located	

### 2.2.2 Calculating distribution indices

Like the mining canon, the mining royalty is distributed according to distribution indices, which allot the amount due to local and regional governments from the total mining royalty collected at a national level. These distribution indices are built with information from the following official sources:

SUNAT: Contribution for Mining Royalties; this is organized by the taxpayer’s RUC and provides the reference base per mining concession, its geographical location at the district, provincial and departmental or regional circumscription or where applicable, according to the concession area included in the circumscription.

MINEM: List of companies, mining concessions and its location.

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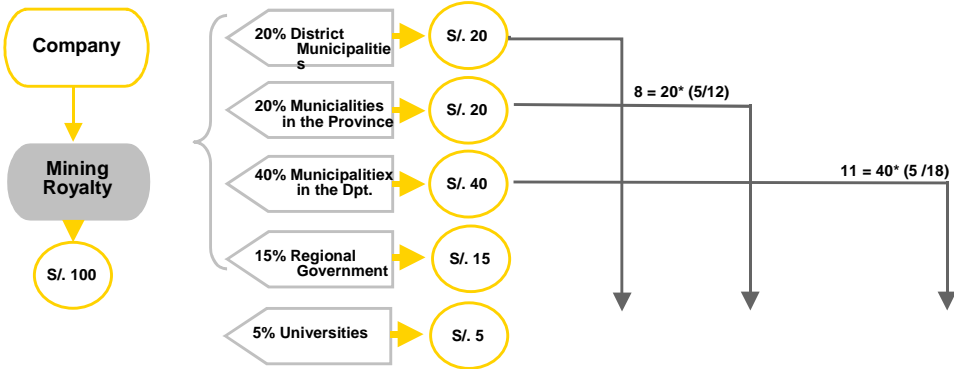
INEI: Population and Unsatisfied basic needs (UBN).

MEF is the entity in charge of calculating the distribution indices. After calculating the distribution indices, DGDFAS - MEF (formerly DGAES – MEF) sends the information to PCM along with the total amount of Mining Royalties collected so that the latter can calculate distribution.

### 2.2.3 Transferring the mining royalty

The PCM informs the Public Treasury of the amounts that will be distributed to local and regional governments, which are calculated based on the total mining canon collected at the national level and the indices of distribution for local and regional governments. Every month the Public Treasury distributes 100% (one hundred percent) of the amount paid for the concept of mining royalties to regional and municipal governments and national universities within 30 calendar days after the last day that the royalty was paid. Deposits are made in the accounts opened for this purpose at the Banco de la Nación.

The following figure provides an example of how distribution is calculated:



Department	Province	District	Population	UBN	Distribution Index (Pop*UBN)	Distribution		
						District Municipalities	Municipalities in the Prov.	Municipalities in the Dpt.
Ancash	Huari	San Marcos	10	50%	5	20	8	11
		Chavín de Huantar	5	80%	4			
		Vco	2	50%	1			
		Anra	3	70%	2			
	Santa	Moro	5	80%	4			9
	Casma	Yaután	4	50%	2			5
Total	16 Provinces	100 Districts			18			

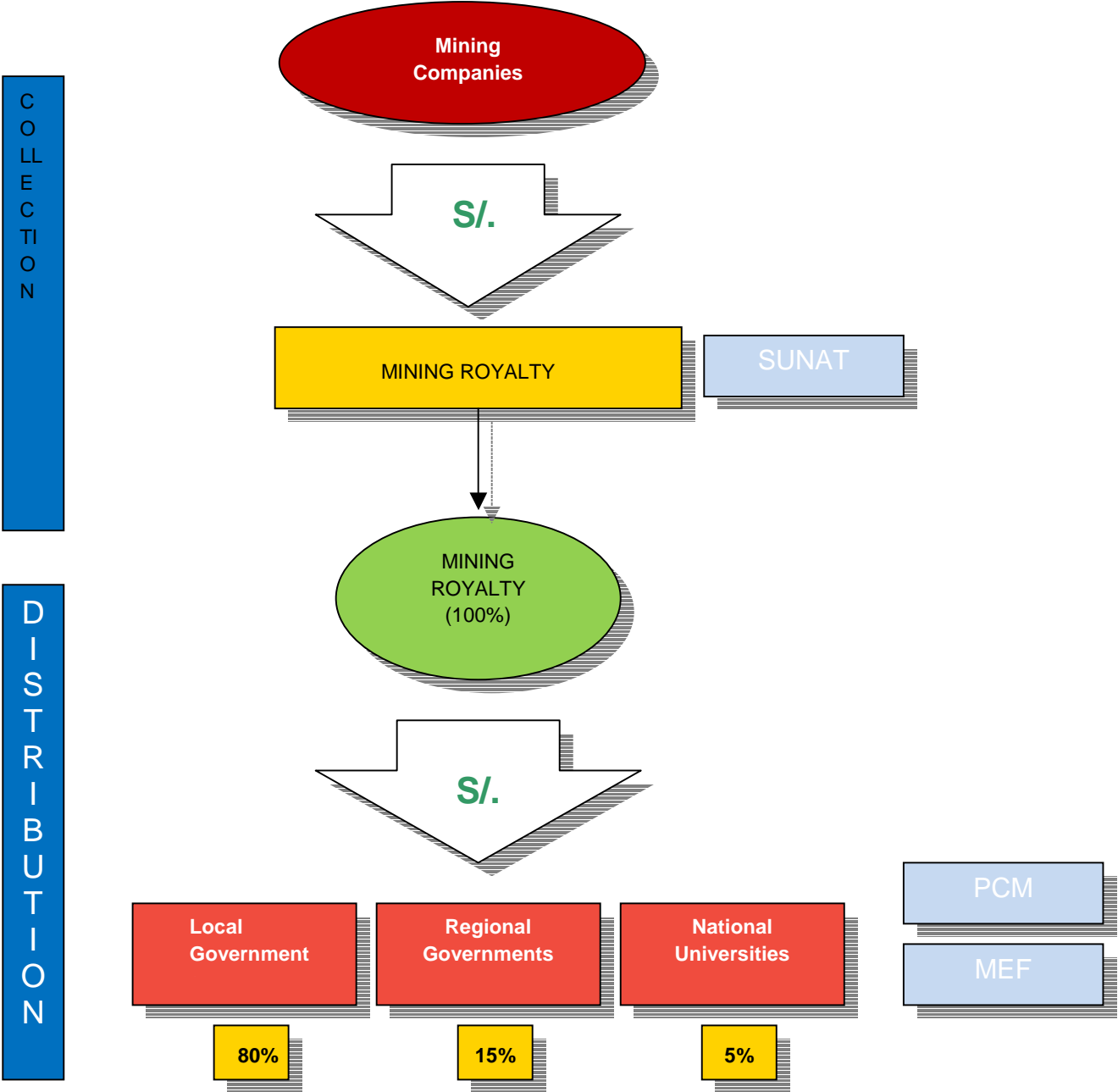
When a mining concession is located in two or more districts, distribution is proportional to the percentage of area that the mining concession occupies in the districts.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## 2.3. Scheme of the collection and distribution of Mining Royalty

The following chart depicts the process to collect and distribute the Mining Royalty described in this section by presenting its components as well as the sequence for corresponding activities.

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# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## IV.3. Petroleum Royalty

### 1. General Aspects

#### 1.1. Concept

##### Petroleum Royalty

Extractive companies in the petroleum sector pay the Peruvian State for the right to exploit hydrocarbon resources in national territory. This royalty is calculated and collected by Perupetro.

##### Oil Canon and Sobrecanon

The Oil Canon and Sobrecanon (royalty surtax) is the Local Governments (provincial and district) and Regional Governments' share of total revenues and income obtained by the State for the economic exploitation of this natural resource in the aforementioned areas.

Unlike other types of canon (mining, gas, hydro-energy, fishing and forest), oil is subject to a sobrecanon that is the product of applying an additional rate to the canon that has been calculated. Nevertheless, some departments with petroleum exploitation projects do not benefit from this additional percentage. In this respect, the canon and sobrecanon are governed by specific laws on a department-to-department basis.

#### 1.2. Legal base in effect during the periods included in the Study

Ley N° 27506

Reglamento del Canon, Decreto Supremo N° 005-2002-EF

##### Loreto

D.L. N° 21678, modified by Ley N° 23538

Ley N° 24300 and Ley N° 26385

##### Ucayali

D.U. N° 027-98

Artículo 161°; Ley N° 23350

Ley N° 24300, Ley N° 26385 and Ley N° 28699

##### Piura

Ley N° 23630, modified by Ley N° 27763 y Ley N° 282 77

##### Tumbes

Ley N° 23630, modified by Ley N° 27763 y Ley N° 282 77

Ley N° 23871

Puerto Inca – Huánuco

Ley N° 24977, Artículo 379

#### 1.3. Participants

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- Taxpayers: Oil companies in exploitation stages.
- Collection agents: PERUPETRO
- Distributor: DGDFAS - MEF (antes DGAES – MEF), PCM, DGTP – MEF.

## 1.4. Calculation Base

### Oil Royalty

The calculation base for the petroleum royalty varies according to the calculation method. These methodologies are as follows:

- Factor R – understood as the ratio between accumulated income and accumulated expenses; it indicates a base percentage that will be used during the company-state negotiation process. A higher R factor implies a higher base percentage.
- Accumulated production – a percentage is set for the royalty according to the licensing contract. The royalty will be set in contracts according to two factors: accumulated production relative to the contracts and the average price per barrel of the production in question. Similar to the situation described above, this method provides a reference point for contracts.
- Production scale – associated with the royalty on production levels.
- Economic Result – under this calculation method, the royalty is calculated with two components: one fixed and the other variable. The fixed royalty is set at 5%. The variable royalty is applied when the ratio between accumulated income and accumulated expenses reaches 1.15.

The application of these methodologies is defined in the oil companies' license and service contracts. Companies are free to choose the methodology that they believe best suits their blocks but must maintain the same calculation method until the contract expires.

### Oil canon and sobre canon

The oil canon and sobre canon are established by specific laws in the different departments that perceive benefits. Currently, both are determined as follows:

- (i) For exploitation activities in the departments of Loreto – Ucayali y Piura – Tumbes, the calculation is as follows:

Canon: 10% ad - valorem of total oil production in the departments in which exploitation activities take place.

Sobre canon: 2.5% of the value of oil production at the department level.

- (ii) For exploitation activities in Puerto Inca – Department= of Huánuco, the calculation is as follows:

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Canon: 10% ad - valorem of total oil production in the department in which exploitation takes place.

Sobrecanon: does not apply.

## 1.5. Periodicity

Calculation:

Oil Royalty: Every fifteen days

Oil canon and sobrecanon: Monthly

Collections:

Oil Royalty: Every fifteen days

Distribution:

Oil canon and sobrecanon: Monthly

## 1.6. Use of the canon and sobrecanon

Legislation on the use of resources from the canon and sobrecanon in oil exploitation areas also varies from department to department . In this context, we have:

Loreto, Ucayali and Puerto Inca – These funds can be used to execute investment plans and programs according to the legal norms in effect by government type (regional, departmental, provincial and district).

Tumbes and Piura – Funds from the canon and sobrecanon are used exclusively to finance or co-finance projects or infrastructure works with regional and local impact. In the case of universities and technological institutes, the funds are used solely for investment in scientific and technological research.

## 2. Procedures in the process to collect the oil royalty and distribute the oil canon and sobrecanon

### 2.1. Collections

Perupetro is in charge of conducting oil royalty collections every fifteen days. Perupetro, by means of a third party, audits the oil companies' sales transactions and applies one of the four methodologies described in point 1.4: Base to calculate the corresponding royalty. Next, Perupetro sends the oil company a pre-liquidation of the royalty that must be paid so that the latter can make the necessary deposit in Perupetro's bank accounts (payments are made in US Dollars).

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## 2.2. Distribution

Once the oil royalty is determined, Perupetro calculates the oil canon and sobrecanon based on the value of production in the month underway and informs the Secretariat of Decentralization of the President’s Office of the Council of Ministers.

The amount corresponding to the oil canon and sobrecanon is detracted from the oil royalties collected during the first and second half of the month underway. The balance of the royalties collected but not used for the canon or sobrecanon will be utilized to determine the shares that Perupetro, MEM, OSINERGMIN will perceive according to law and the monitoring expenses incurred to audit commercial transactions during the period.

### 2.2.1 Area of Influence

This is determined according to the territorial area of the Local and Regional Governments in which oil exploitation takes place according to what the law establishes for different departments.

Currently, INEI’S Digital Census Cartography is used to distribute income from the canon between district and provincial municipalities. This cartography is demarcates the territorial circumscriptions of the country’s districts and provinces and will be used until official cartography is available to precisely define the boundaries of all the country’s districts and provinces.

### 2.2.2 Distribution Criteria

The oil canon and sobrecanon are distributed among local and regional governments according to the distribution indices that MEF develops according to criteria for i) Population ii) Unsatisfied Basic Needs. Data on the latter is obtained from the INEI.

The distribution percentages that correspond to the five departments where oil companies operate is as follows: (Loreto, Piura and Huánuco for the Canon; and Ucayali and Tumbes for the sobrecanon).

Loreto (Canon and Sobrecanon) – Ucayali (Sobrecanon)

Percentage %	Beneficiary
52%	Regional Government
40%	Provincial Municipalities in the department
5%	Universidad Nacional de la Amazonía
3%	Instituto de Investigación de la Amazonía Peruana



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Ucayali (Canon)

Percentage %	Beneficiary
40%	Local governments of the department's district and provincial municipalities
20%	Local governments of the municipalities in the province where the resource is exploited
20%	Regional government
10%	Local government of the municipality in which the resource is exploited
5%	National universities
3%	Instituto Tecnológicos Nacionales
2%	Instituto de Investigación de la Amazonía Peruana

Piura and Tumbes (Canon and sobrecanon)

Percentage %	Beneficiary
20%	Regional Government
20%	District and provincial municipalities where production is located
50%	Other district and provincial municipalities in the department
5%	Universidad nacional
5%	Instituto superiores pedagógicos y tecnológicos

Huánuco - Puerto Inca (Canon)

Percentage %	Beneficiary
100%	Municipal council of the district of Puerto Inca

## 2.2.3 Calculating the distribution indices

MEM, through the General Directorate for Hydrocarbons, sends DGDFAS - MEF (formerly DGAES – MEF) the location of the administrative economic units (oil companies) per District, Province and Department.

The INEI provides information on the population and Unsatisfied Basic Needs (UBN) per District - Province – Department.

The DGDFAS - MEF (antes DGAES – MEF) uses the aforementioned elements to determine the indices of distribution and sends the results to the Secretariat of Decentralization. The distribution indices are built with the following criteria:

- (i) In the case of Tumbes and Piura, the distribution index is built on the foundation of the equitable provincial distribution index per territory and within the provinces based on a combination of factors relative to population, poverty, environmental contamination and basic needs.
- (ii) In the case of Loreto and Puerto Inca – Huanuco, the distribution index has been determined according to the distribution percentages that were established by Law (Art. 8° de la Ley N°24300).

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- (iii) In the case of Ucayli, the distribution index has been determined according to indicators for population, basic unsatisfied needs and hydrocarbon production levels per circumscription.

## **2.2.4 Exchange Rate**

The revenues and income that the State has perceived in foreign currency and which serve as the basis to calculate the corresponding oil canon and sobrecanon are converted into national currency using the purchase exchange rate that is published by the Superintendence of Banking and Insurance on the day that the respective oil canon and sobrecanon transfer is made.

## **2.2.5 Canon and Sobrecanon Transfers**

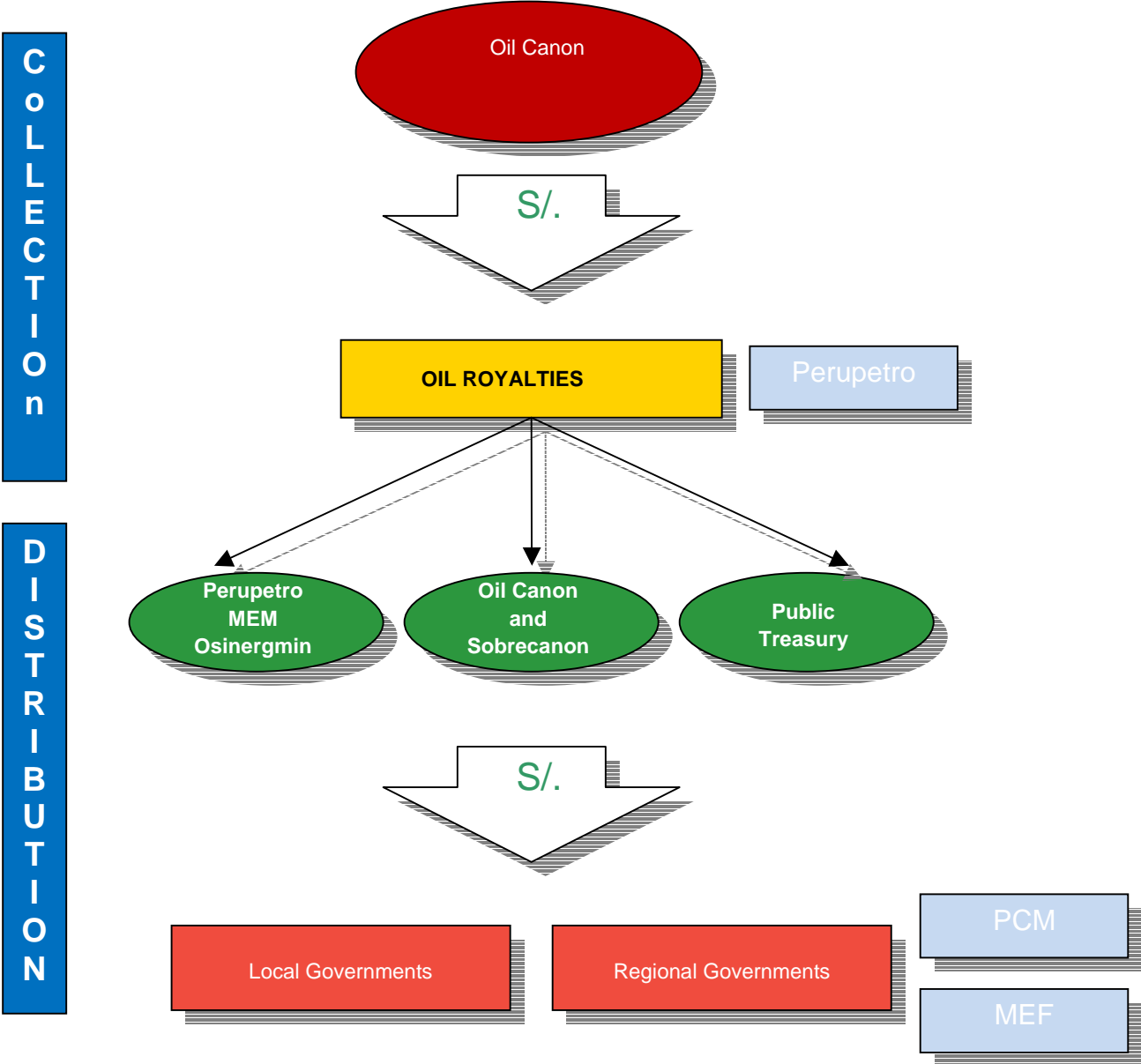
Once Perupetro has calculated the distribution amounts and DGDFAS - MEF (antes DGAES – MEF) has determined the distribution indices, the Secretariat of Decentralization of the President's Office of the Council of Ministers (PCM) calculates the amounts that will be transferred to the districts, provinces and corresponding departments and sends this information to the DGTP – MEF so that it can make the corresponding transfers to local and regional governments.

Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

2.3 Scheme of the process to collect the Oil Royalty and distribute the Oil Canon and Sobrecanon

Next, we provide a schematic chart of the process to collect oil royalties and distribute the Oil Canon and Sobrecanon described in this section. It provides details on the process's components and organizes activities sequentially.

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## IV.4 Gas Royalty

### 1. General Aspects

#### 1.1. Concept

##### Gas Royalty

Extractive companies in the gas sector pay this concept to the Peruvian State for the right to exploit gas resources in national territory according to Law N°27506 (year 2001). This norm applies to companies that engage in productive activities in the departments where no prior legislation exists with regard to productive activities involving hydrocarbons. The companies that have produced gas prior to the date that this Law was passed will continue to use the oil canon methodology described in section IV.3 Oil Royalty.

##### Gas Canon

The gas canon is the local governments and regional governments' share of total revenues and income obtained by the State for the right to economically exploit gas in these areas.

The gas Canon covers the exploitation of natural gas and compressed natural gas.

#### 1.2. Current Legal base during the periods included in the Study

- Created by Ley N° 27506 (published on July 10, 2001).
- Regulated by D.S. N° 005-2002-EF (published on January 9, 2002).
- D.S. N°003-2003-EF, which modifies D.S. N°005-2002 -EF- Reglamento de la Ley de Canon (published on January 09, 2003).
- D.S. N° 115-2003-EF, which modifies D.S. N°005-2002 -EF approving the Reglamento de la Ley de Canon (published on August 14, 2003).
- Ley N°28077- Modification of Ley N°27506 -Ley de Canon (published on September 26, 2003).
- D.S. N°029-2004-EF, modifying D.S. N°005-2002-EF to approve Reglamento de la Ley N° 27506, Ley del Canon (published on February 17, 2004).
- Ley N° 28322 that modifies articles of the Ley N° 27506, Ley de Canon, modified by Ley N° 28077 (published on August 10, 2004)
- D.S. N° 187-2004-EF, modifying D.S. N° 005-2002-EF, which approved the Reglamento de la Ley N° 27506, Ley de Canon (published on February 28, 2005).
- Resolución Ministerial N°073-2005-EF/15, which approves the Distribution Indices for the Gas Canon stemming from Royalties and the State's participation in Service Contracts (published on February 28, 2005).

#### 1.3. Participants

Taxpayers: Gas companies engaged in exploitation

Collections Agent: PERUPETRO

Distributor: DGDFAS - MEF (formerly DGAES – MEF), PCM, DGTP – MEF.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## 1.4. Calculation Base Income Tax

Income Tax = Taxable Base x Rate
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More information on this point is available in point 1.4 of section IV.1 of this report.

### Gas Royalty

The gas royalty is calculated by multiplying the volume of bi-monthly production (every fifteen days) by the percentage established in corresponding concession contracts.

### Gas Canon

The Gas Canon is composed of:

- 50% of the amount the State has collected for Income Tax payments by companies that engage in activities to exploit natural gas and its derivatives.
- 50% of the amount collected for Royalties for the right to exploit said natural resources.
- A percentage of the revenues obtained by the State for the exploitation of this natural resource that are covered in service contracts, if applicable. The percentage applicable according to contract is stipulated by Supreme Decree (and varies for each contract).

## 1.5. Periodicity

### Calculation:

Income Tax: Annual  
Gas Royalty: Every fifteen days  
Gas Canon: Monthly

### Collections:

Income Tax: Monthly through collections on advance Income Tax payments. Income Tax regularization takes place every year.  
Gas Royalty: Every fifteen days

### Distribution:

Gas Canon: Monthly

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## 1.6. The Canon's use

It can be used to finance or co-finance public investment projects that involve providing public services with universal access that generate benefits for the community, are within the competencies of the corresponding government level and are compatible with sector policies. These projects cannot involve interventions for business purposes or those that can be conducted by the private sector.

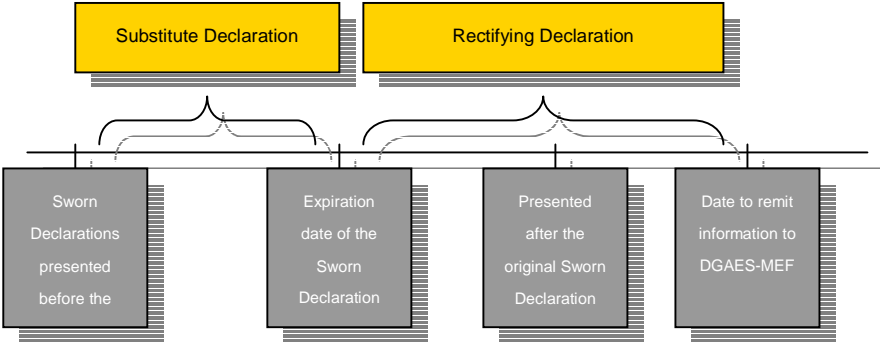
## 2. Procedures in the process to collect Income Tax and the Gas Royalty and distribute the gas canon

### 2.1. Collections

#### Income Tax

The companies calculate their Income Tax through the Annual Sworn Declaration. They use the annual declaration format that is provided by the collections agent SUNAT. Every month, the companies make advance payments based on their income; at the end of the fiscal period, they regularize the annual income tax through the Annual Sworn Declaration. This sworn declaration is presented to SUNAT in the months of March and April of the year after the filing year. The Income Tax on earned income for the period (amount that is the basis of the distribution process) corresponds to the amount calculated for Income Tax net credits without the right to devolution (boxes N°504 and 516 respectively). Companies can present Substitute Declarations and Rectifying Declarations in lieu of the Annual Sworn Declaration.

Substitute declarations integrally replace or act as a substitute for the Sworn Declarations that were presented by companies prior to the expiration date set by SUNAT. The Rectifying Declarations are declarations that are presented after the date set by SUNAT. For the effects of this study, we have considered the Substitute Declarations and Rectifying Declarations presented up to the date on which SUNAT provides information to DGDFAS - MEF (formerly DGAES-MEF) for the corresponding distribution, which is usually made between the months of April and May of the years in question.



# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## **Gas Royalties**

Perupetro is in charge of collecting gas royalties every fifteen days. It audits the gas companies' sales transactions and uses the value of production to apply the royalty percentage stipulated in license contracts. Once this calculation has been made, the gas company is sent a pre-liquidation of the corresponding royalty. Payments are deposited in Perupetro's bank accounts (payments are made in US Dollars).

## **2.2. Distribution**

### **Canon from Income Tax**

For the distribution process, MEM provides MEF information on the title owners, the district location of the exploited resource and the Tax Identification Numbers (RUC) of the companies that have engaged in extractive activities relative to natural resources during the previous tax year. With this information in hand, DGDFAS - MEF (formerly DGAES-MEF) requests information from SUNAT on the amounts that companies paid on earned income. SUNAT then provides the income tax amounts considering the Rectifying and Substitute Declarations filed prior to the cutoff date (generally at the end of April or beginning of May). DGDFAS-MEF then uses this information to calculate the Mining Canon, which corresponds to 50% of gas companies' earned income in the exploitation stage.

### **Canon from royalties**

Although the gas companies pay royalties every 15 days, Perupetro calculates the canon from gas royalties on a monthly basis in function of the audited production volume from production wells. Perupetro deposits this amount in the accounts of the Public Treasury General Directorate of the Ministry of Economy and Finances. The calculated canon is detracted from the gas royalties collected from both fifteen-day periods of the month underway. The royalty balance that is not utilized for the canon or sobrecanon is used to calculate the shares of Perupetro, MEM and OSINERGMIN according to the law and the monitoring expenses incurred during the period of the audit of commercial operations. The royalty's remaining balance is delivered to the Public Treasury.

The PCM takes the distribution indices provided by MEF to calculate the amounts that will be distributed for the canon derived from Income Tax and that based on Gas Royalties. Thereafter, it informs the Public Treasury General Directorate so that it can make the corresponding transfers.

### **2.2.1 Area of Influence**

For the purpose of distributing the Gas Canon, the area of influence is defined in letter c) of article 4º of the Rules (D.S. N°005-2002-EF):

"...is the territorial area of the regional and local governments that have circumscriptions where natural and gas and compressed gas is exploited as granted by the contractual forms stipulated in Ley N° 26221 – Ley Orgánica de Hidrocarburos and its regulations. When contractors possess concessions that conduct exploitation in different circumscriptions, the distribution is made in proportion to the production volume obtained according to report produced by the General Directorate of Hydrocarbons of the Ministry of Energy and Mines. If concessions are engaging in exploitation in neighboring circumscriptions, distribution will be in equal parts."

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## 2.2.2. Distribution Criteria

According to article 5° of the Ley de Canon, Ley N° 27506, modified by article 3° of Ley N° 28077, “The Canon will be distributed between regional and local governments according to the distribution indices set by MEF with regard to population and poverty criteria linked to a failure to cover basic necessities and deficits in infrastructure.” Its distribution is as follows:

- 10% (ten percent) of the total collected by the local governments in the municipality or district municipalities where the natural resource is located.
- 25% (twenty-five percent) of the total collected for the local governments of the province or provinces where the natural resource is located, excluding the producing district or district.
- 40% (forty percent) of the total Canon collected for the local governments of the department or department in the regions, excluding the province or provinces in which the natural resource is found.
- 25% (ten percent) of the total collected by the regional governments where the natural resource is found.

	%	Beneficiario	Criterios
<b>Canon Gasífero</b>	10%	Distrito Productor donde se encuentra el recurso extraído.	
	25%	Municipalidades de la Provincia donde se encuentra el recurso extraído, excluyendo al Distrito Productor.	Según i) Población y ii) Necesidades básicas insatisfechas
	40%	Municipalidades del Departamento donde se encuentra el recurso extraído, excluyendo a la Provincia Productora	Según i) Población y ii) Necesidades básicas insatisfechas
	25%	Gobierno regional donde se encuentra el recurso extraído	80% Gobierno Regional 20% Universidades

The Decreto de Urgencia N° 002-2004 of March 30, 2004 stipulates that in the case of Special Regimens (Metropolitan Lima and the Constitutional Province of Callao) established in articles 33° and 34° of Ley N° 27783, Ley de Bases de la Descentralización, 40% del total collected will be distributed between the Local Governments of their respective circumscriptions. As such, in the case that the producing province has only one district, the 25% destined for the producing province will be distributed among local governments in the province or provinces where the natural resource is located.

## 2.2.3. Determine the distribution indices



# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

According to the legal framework mentioned above, the resources from the Gas Canon are allotted to governments through indices of distribution that have been built by using information from the following official sources:

## **National Institute of Statistics and Informatics (INEI)**

- Forecast of the estimated population for the years 2004 - 2007 the department, provincial and district.
- Poverty indicator linked to unsatisfied basic needs (UBN) and infrastructure deficits at the department, province and district level.

## **Ministry of Energy and Mines (MINEM)**

- List of companies that engage in natural gas exploitation under the contractual forms of License Contracts and Service Contracts.
- Location at the district, provincial and department level in the concession areas.

Based on the legal framework in effect and the information provided by the aforementioned official sources, DGDFAS - MEF (formerly DGAES – MEF) proceeds to calculate the distribution indices of the gas canon to the corresponding Local and Regional Governments.

### **2.2.4 Exchange Rate**

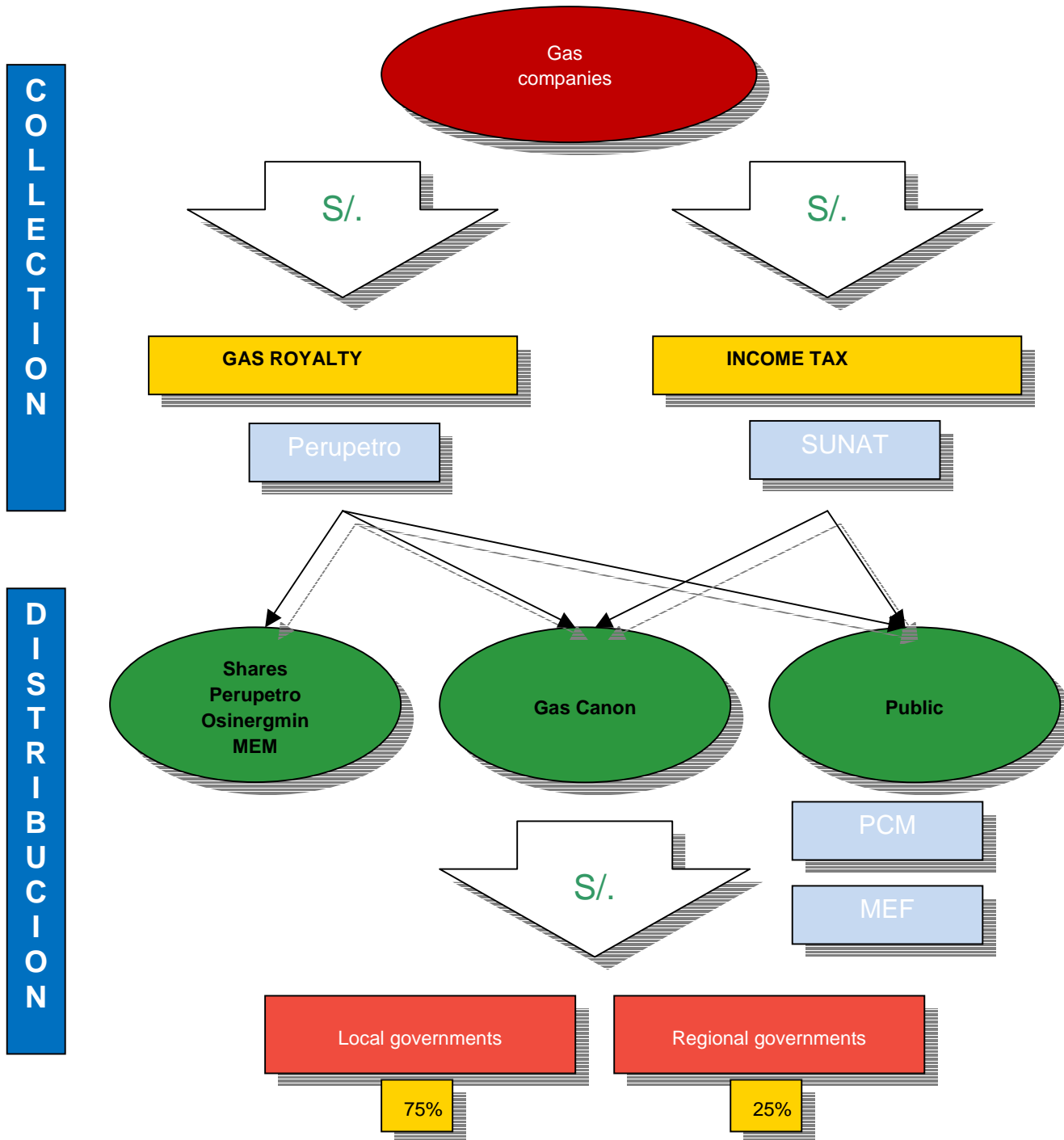
The revenue and income that the State has perceived in foreign currency and which serves as the basis to calculate the corresponding gas canon are converted into national currency using the sales exchange rate that is published in the Superintendence of Banking and Insurance on the day that the corresponding gas transfer is made.

### **2.2.5 Gas canon transfer**

Once the following have been quantified: (i) that amounts that will be distributed by Perupetro and DGDFAS - MEF (formerly DGAES – MEF) and (ii) the distribution indices have been set by DGDFAS - MEF (antes DGAES – MEF), the PCM will calculate the amounts to transfer to the corresponding districts, provinces and departments and informs DGTP – MEF so that it can make the corresponding transfers.

**2.3 Scheme of the process to collect the Gas Royalty and the Income Tax and distribute the Gas Canon**

Next, we present a schematic chart of the process to collect the Gas Royalty and Income Tax and distribute the Gas Canon. It includes a description of the components and a sequential representation of the corresponding activities:



# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## IV.5 Validity Rights

### 1. General Aspects

#### 1.1. Concept

Validity Rights are the annual payments that the owners of all mining concessions must pay, whether involved in extraction, general work, mining transportation, exploitation or construction materials and regardless of whether they are a large, medium or small mining company or artisanal mining operation, to maintain rights over the concession area. Payments are consistent with the concessionaire's attributions and are granted by the state in the company's name. If the concessionaire fails to make payments for two consecutive years, the concession will expire and subsequently be extinguished. This will not exonerate the concessionaire from the need to comply with all other obligations assumed as the owner of mining operations.

It is important to emphasize that the concessions' system permits transactions between assignees (owners of the validity rights) and assignors (natural persons or companies that intend to use the concession and pay corresponding fees). These transactions must be recorded in Public Registries and reported in the Annual Consolidated Declaration (DAC) that is presented to the General Directorate for Mining and the Ministry of Energy and Mines (DGM-MEM).

#### 1.2. Legal base in effect during the periods included in the Study

- Texto Único Ordenado de la Ley General de Minería. D.S. 014-92-EM. 04/06/1992
- Reglamento de Procedimientos Mineros. D.S. 018-92-EM. 07/09/1992
- Reglamento de Diversos Títulos de TUO de la Ley General de Minería. D.S. 03-94-EM. 14/01/1994
- Ley, which modifies Ley N° 27015 (art. 9° Derecho de Vigencia de derechos mineros). Ley 27560. 24/11/2001
- Approval of the Regulations of the Special law to grant Mining Concessions in urban areas and areas corresponding to urban expansion. (Art. 13° Devolución del Derecho de Vigencia). D.S. 008-2002-EM. 21/01/2002
- Authorizes the use of INEI's Digital Census Cartography to distribute revenues from Validity Rights among the municipalities and areas where mining rights are located. D.S. 002-2001. 18/01/2001
- Established procedures to calculate payments corresponding to Validity Rights for extractive concessions. R. D. 185-97-EM/DGM. 16/05/1997.
- Law to Formalize and Promote Small-Scale Mining and Artesanal Mining. Ley 27651. 24/01/2002
- Establish directives for the validity rights' payments and/or penalties and modifies the Regulations for Mining Procedures. 010-2002-EM. 09/03/2002.
- Approves the Regulations of the Law to Formalize and Promote Small-Scale Mining and Artesanal Mining. D.S. 013-2002-EM. 21/04/2002

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

- Modifies art. 34º, 37º y 74º of the Regulations for different titles contemplated in the Ley General de Minería, approved by D. S. 03-94-EM. D.S. 045-2007-EM. 06/09/2007

### 1.3. Participants

Taxpayers: Mining Companies engaged in mining exploration and exploitation activities.

Collections Agent: Office for Validity Rights at INGEMMET.

Distributor: Office for Validity Rights INGEMMET.

### 1.4. Calculation Base

**Validity Right= # of Hectares of the denouncement (according to the Mining Registry)  
X Rate**

### 1.5. Periodicity

Calculation: Annual

Collections: Annual

Distribution: Monthly

### 1.6. Use

Details on this point can be found in the table in the section “Distribution Criteria” for Validity Rights.

## 2. Procedures of the process to collect and distribute Validity Rights

### 2.1. Collections

Collections of Validity Rights payments and/or Penalties are conducted as follows:

- In the case of denouncements that are being processed for the first time (petition formulation), collections can be made at any point in the year depending on the date that the petition was filed.
- In the case of denouncements that were made more than one year after the mining right was formulated, collections will be made between January 01 and June 30 of the year following the year in which the right was granted based on the information contained in the Mining Registry.

Validity rights are paid by title holders at the banks that the Office for Validity Rights at INGEMMET has designated for this purpose (main banks in the country). For this purpose, the Office of Validity Rights at INGEMMET sends the banks a list of the denouncement codes that need to be paid. Payments cannot be made in quotas and are made in a lump sum once a year. The payments are made in US Dollars or in Soles at the exchange rate established by the financial institution at the time of the transaction.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Amounts to pay according to the owner's condition (condition determined by the General  
Directorate of Mining at MEM)

Condition	Validity Right	Penalty <sup>2</sup>
General Regimen	US\$ 3 x Hectare	US\$ 6 x Hectare (A) US\$ 20 x Hectare (B)
Small Mining Producer	US\$ 1 x Hectare	US\$ 1 x Hectare (A) US\$ 5 x Hectare (B)
Artesanal Mining Producer	US\$ 0.50 x Hectare	US\$ 0.50 x Hectare (A) US\$ 3 x Hectare (B)

(A) Applicable to the title owners and/or assignees included in the stipulations in paragraph 1 of Art. 40<sup>o</sup> of TUO3.

(B) Applicable to the title owners and/or assignees included in the stipulations in the 2nd paragraph of Art. 40<sup>o</sup> of the TUO4.

## 2.2. Distribution

This is the monthly process used to allot the revenues collected for the Validity Right and Penalty to Local Governments, Regional Governments and Institutions in the Energy and Mining sector as applicable.

The amount collected and distributed each month is transferred every fifteen days to accounts in the Banco de la Nación that have been created for this effect.

### 2.2.1 Area of Influence

To distribute the validity right, the area of influence is defined as the territorial area of the district governments where mining concessions in the exploration and exploitation stages are operating.

<sup>2</sup> The Penalty corresponds to the amount that must be paid annually to maintain mining concessions rights if the concessions has failed to comply with its obligation to report production levels or minimum investment within the timelines established.

<sup>3</sup> Applicable to title owners and/or assignees included in the stipulations of article 40<sup>o</sup> of the TUO.

**Article 40.-** *If the stipulations in Article 38 are not met, starting in the first semester of the seventh year counting from the year in which the mining concession title was granted, the assignee will pay a penalty of US\$ 6.00 or its equivalent in national currency per year and per hectare until the year in which minimum production levels are met. In the case of artesanal mining, the penalty will be US\$ 0.50 or its equivalent in national currency per year and per hectare until minimum annual production is achieved.*

<sup>4</sup> Applicable to title owners and/or assignees included in the 2nd paragraph of article 40<sup>o</sup> of the TUO.

*If the assignee continues to fail to comply as of the twelfth year, the penalty will be US\$ 20.00 or its equivalent in national currency per year and per hectare. In the case of the small mining producer, beginning in the twelfth year, the penalty will be US\$ 5.00 or its equivalent in national currency per year or per hectare. Artesanal mining operations will pay, beginning in the twelfth year, US\$ 3.00 or its equivalent in national currency per year and per hectare.*

Consultancy for the EITI Peru Multi-Sector Working Committee

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## 2.2.2 Distribution Criteria

The Office for Validity Rights at INGEMMET calculates the distribution of 100% of the Validity Rights collected per month in the following manner and in accordance with the stipulations in Ley N° 28327 (payments for validity rights by mining companies included in the general regimen):

%	Institution <sup>5</sup>	Use
75%	District municipality or district municipalities where the petition or mining concession are located.	To execute investment and development programs in their respective circumscriptions; in the case that the petitioner or concession in question are located in two (2) or more district municipalities, the distribution will be made in equal parts.
20%	Institute of Geology, Mining and Metallurgy – INGEMMET (a)	To maintain and develop the System for Concessions and Mining Land Registry of the System of Distribution of Validity Rights.
5%	Minister of Mining and Energy	To maintain and develop the Mining-Metallurgy Information System

(a) Ley 28327 stipulates a distribution of 10% for INGEMMET and 10% for INAAC; nevertheless, given that the functions of the ex - INAAC are currently being handled by INGEMMET, 20% corresponds to INGEMMET.

The SIDEMCAT system collects information on collections for Validity Rights from the banks and distributes the information automatically according to the percentages mentioned in the previous table. Once this information is collected, it is reviewed by the Director of Validity Rights at INGEMMET, who then authorizes the publication of a Resolution in the official newspaper “El Peruano” that provides distribution details.

## 2.2.3 Calculating Distribution Indices

Not applicable for validity rights.

## 2.2.4 Exchange Rate

Validity rights are collected both in national and foreign currency (US Dollars). At the time that distribution is set, the amounts are calculated according to the nature of the currency in which they were collected. Once these funds are transferred to the Banco de la Nacion, they are converted into nuevos soles, if necessary, utilizing the exchange rate on the day of the transfer according to the Superintendence of Banking and Insurance (SBS).

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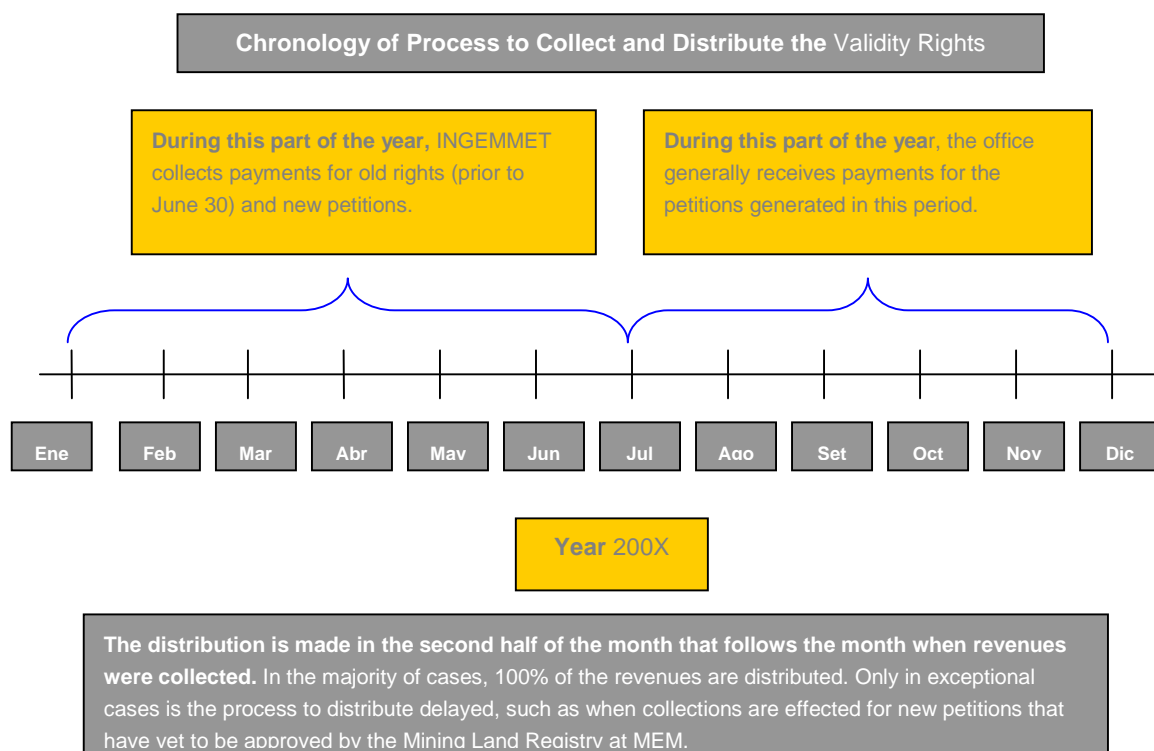
<sup>5</sup> The regional governments will receive the percentages of 20% and 5% (described in this table) that correspond to the amount paid by Small Mining Producers and Artesanal Producers to exercise functions that, in terms of mining, have been transferred in the framework of the decentralization process as well as those related to protecting the environment.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## 2.2.5 Transferring Validity Rights

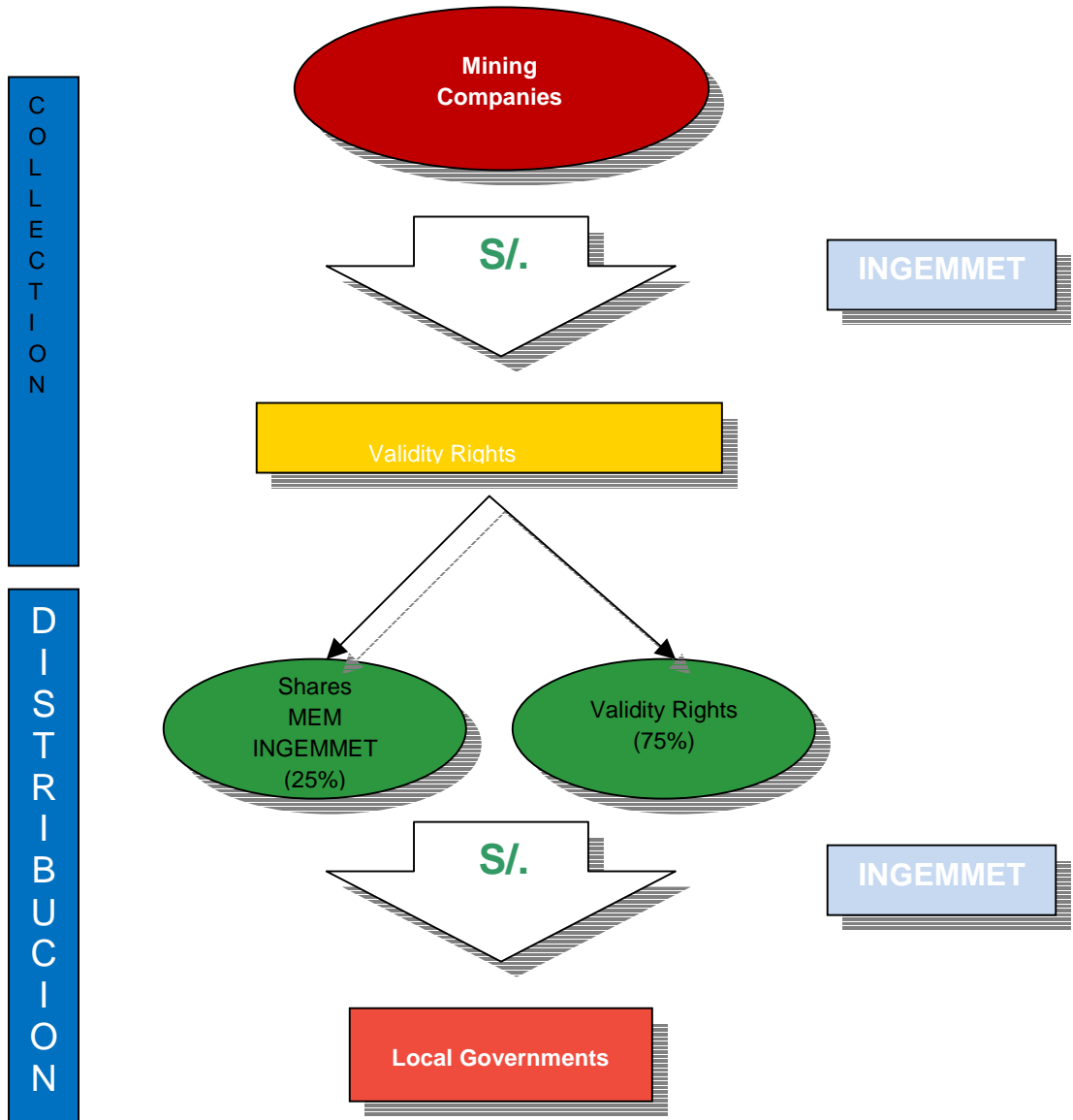
Once the Resolution of distribution has been made public (one publication per distribution), this information is sent the administrative area of INGEMMET so that it may, via another Resolution, proceed to make the corresponding transfer during the second half of the month in which payment is made.

### Chronology of the process to collect and distribute Validity Rights



**2.3 Scheme of the process to collect and distribute Validity Rights**

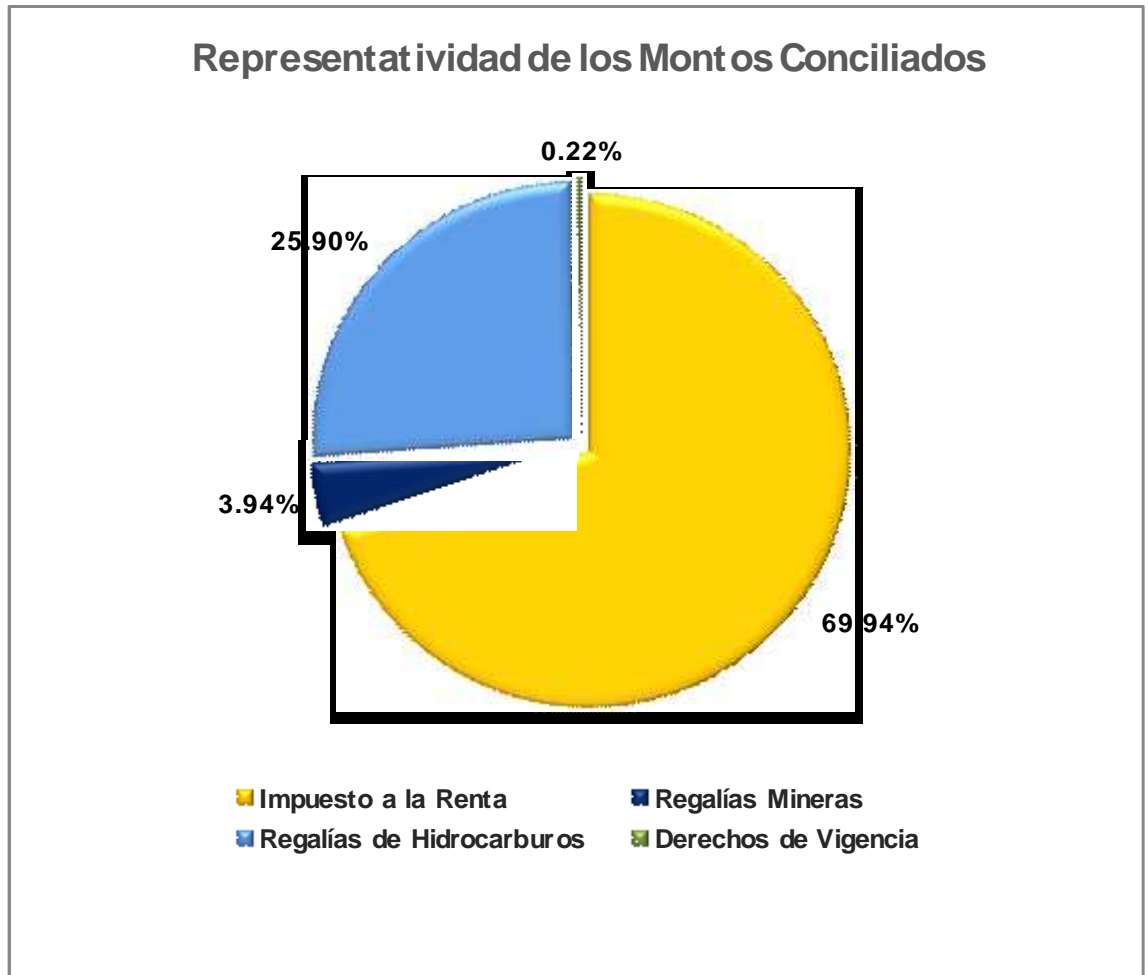
Next, we present a schematic chart of the process to collect and distribute the Validity Right described in this section. The chart contains the process's components and provides a sequential description of its activities.





V. **Final study of the results of the Second Reconciliation Study on Collections**

Next, we will present a final summary of the reconciliation study on income tax, mining and oil royalties and validity rights.



Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Concepts	Reconciled amount according to public institutions (in nuevos soles)	%
Income Tax	22,173,503,360	<b>69.94</b>
Mining Royalties	1,249,024,351	<b>3.94</b>
Hydrocarbon Royalties	8,212,158,923	<b>25.90</b>
Validity Rights	69,770,833	<b>0.22</b>
<b>Total</b>	<b>31,704,457,467</b>	<b>100.00</b>

**Note:** Amounts in nuevos soles whose origin, under certain circumstances, is in US Dollars. The table below contains calculations by item:

Reconciliation of Mining Companies' Income Taxes	2008	2009	2010	Total
S/. (a)	2,243,384,989	1,884,456,567	3,392,972,646	7,520,814,202
US\$ (b)	1,437,550,435	1,312,569,852	1,439,213,595	4,189,333,882
S/. converted into US\$ with the ER on said date (d)= (b x c)	4,206,272,570	3,953,460,394	4,067,217,619	12,226,950,583
<b>Total (a) + (d)</b>	<b>6,449,657,559</b>	<b>5,837,916,961</b>	<b>7,460,190,265</b>	<b>19,747,764,785</b>
<b>Exchange rate per 1 US\$ (c)</b>	2.926	3.012	2.826	

Reconciliation of Hydrocarbon Companies' Income Tax	2008	2009	2010	Total
S/. (a)	401,190,017	271,688,666	445,798,251	1,118,676,934
US\$ (b)	151,859,142	87,049,017	212,501,823	451,409,982
S/. converted to US\$ according to the ER on the date (d)= (b x c)	444,339,849	<b>262,191,639</b>	<b>600,530,152</b>	1,307,061,640
<b>Total (a) + (d)</b>	<b>845,529,866</b>	<b>533,880,305</b>	<b>1,046,328,403</b>	<b>2,425,738,574</b>
<b>Exchange rate per 1 US\$ (c)</b>	2.926	3.012	2.826	

Summary of the Reconciliation of Mining and Hydrocarbon companies Income Tax	2008	2009	2010	Total
S/. (a)	2,644,575,006	2,156,145,233	3,838,770,897	8,639,491,136
US\$ (b)	1,589,409,576	1,399,618,869	1,651,715,418	4,640,743,863
S/. converted to US\$ according to the ER on the date (d)= (b x c)	4,650,612,419	4,215,652,033	4,667,747,771	13,534,012,223
<b>Total (a) + (d)</b>	<b>7,295,187,425</b>	<b>6,371,797,266</b>	<b>8,506,518,668</b>	<b>22,173,503,359</b>
<b>Exchange Rate per 1 US\$ (c)</b>	2.926	3.012	2.826	

Collections of Mining Royalties	2008	2009	2010	Total
S/.	348,328,267	334,147,399	566,548,685	<b>1,249,024,351</b>

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Collections of Hydrocarbon Royalties	2008	2009	2010	Total
US\$ (b)	953,665,133	731,510,127	1,138,862,789	2,824,038,049
S/. converted to US\$ according to the ER on the date (d)= (b x c)	2,790,424,179	2,203,308,503	3,218,426,242	<b>8,212,158,924</b>
<b>Exchange rate per 1 US\$ (c)</b>	2.926	3.012	2.826	

Collections of Validity Rights	2008	2009	2010	Total
US\$ (b)	7,757,551	7,450,388	8,716,090	23,924,029
S/. converted to US\$ according to the ER on the date (d)= (b x c)	22,698,594	<b>22,440,569</b>	<b>24,631,670</b>	<b>69,770,833</b>
<b>Exchange rate per 1 US\$ (c)</b>	2.926	3.012	2.826	

In terms of the effect of the differences between the reconciled amounts collected by public institutions and the payments made by companies, we present the effect of the same on the total amount collected:

Concepts	Reconciled amount according to public institutions (in nuevos soles)	Difference with regard to the amounts declared by companies	% of difference for this concept	% of difference with regard to the reconciled amount
Income Tax	22,173,503,360	-	-	-
Mining Royalties	1,249,024,351	<b>110,764</b>	0.009	0.001
Hydrocarbon Royalties	8,212,158,923	<b>-42,414</b>	(0.001)	(0.001)
Validity Rights	69,770,833	<b>-2,800,048</b>	(3.939)	(0.001)
Total	<b>31,704,457,467</b>	<b>-2,731,698</b>	<b>(0.009)</b>	<b>(0.009)</b>

Note: For presentation reasons, decimals have been rounded to three decimal digits.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**V.1. Final Summary of the Second Study on the Reconciliation of Income Tax**

The process to reconcile income tax revenues used the original currency reported in the declaration; as such, figures given in Nuevos Soles or US Dollars depending on the currency declared by the company.

Next, we present the final summary of the second reconciliation study on the income tax paid by Hydrocarbon companies:

Final summary of income tax collections from Hydrocarbon companies:

<b>Final summary of the reconciliation of the income tax paid by hydrocarbon companies</b>				
<b>Year</b>	<b>Currency</b>	<b>According to SUNAT</b>	<b>According to company</b>	<b>Difference</b>
2008	S/.	401,190,017	401,190,017	-
	US\$	151,859,142	151,859,142	-
2009	S/.	271,688,666	271,688,666	-
	US\$	87,049,017	87,049,017	-
2010	S/.	445,798,251	445,798,251	-
	US\$	212,501,823	212,501,823	-
<b>Total</b>	<b>S/.</b>	<b>1,118,676,934</b>	<b>1,118,676,934</b>	<b>-</b>
<b>Total</b>	<b>US\$</b>	<b>451,409,982</b>	<b>451,409,982</b>	<b>-</b>

Final summary of Income Tax collections of hydrocarbon companies that are exempt from paying gas royalties on Income Tax:

<b>Final summary of the reconciliation of the Income Tax paid by Hydrocarbon Companies</b>				
<b>Year</b>	<b>Currency</b>	<b>According to SUNAT</b>	<b>According to the company</b>	<b>Difference</b>
2008	S/.	343,784,622	343,784,622	-
	US\$	101,221,761	101,221,761	-
2009	S/.	179,536,332	179,536,332	-
	US\$	22,305,549	22,305,549	-
2010	S/.	195,350,227	195,350,227	-
	US\$	72,485,625	72,485,625	-
<b>Total</b>	<b>S/.</b>	<b>718,671,181</b>	<b>718,671,181</b>	<b>-</b>
<b>Total</b>	<b>US\$</b>	<b>196,012,935</b>	<b>196,012,935</b>	<b>-</b>

**Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)**  
(Continuation)

Final summary of Income Tax collections from hydrocarbon companies subject to gas royalties for  
Income Tax

Final summary of the reconciliation of Income Tax for hydrocarbon companies				
Year	Currency	According to SUNAT	According to the Company	Difference
2008	S/.	57,405,395	57,405,395	-
	US\$	50,637,381	50,637,381	-
2009	S/.	92,152,334	92,152,334	-
	US\$	64,743,468	64,743,468	-
2010	S/.	250,448,024	250,448,024	-
	US\$	140,016,198	140,016,198	-
<b>Total</b>	<b>S/.</b>	<b>400,005,753</b>	<b>400,005,753</b>	<b>-</b>
<b>Total</b>	<b>US\$</b>	<b>255,397,047</b>	<b>255,397,047</b>	<b>-</b>

Below, we present a table of the final summary of the Second Conciliation Study on income tax  
payments by companies engaging in exploitation:

Final study of the reconciliation of Income Tax paid by mining companies in the exploitation stage				
Year	Currency	According SUNAT	According to companies	Difference
2008	S/	2,243,384,989	2,243,384,989	-
	US\$	1,437,550,435	1,437,550,435	-
2009	S/	1,884,456,567	1,884,456,567	-
	US\$	1,312,569,852	1,312,569,852	-
2010	S/	3,392,972,646	3,392,972,646	-
	US\$	1,439,213,595	1,439,213,595	-
<b>Total</b>	<b>S/</b>	<b>7,520,814,202</b>	<b>7,520,814,202</b>	<b>-</b>
<b>Total</b>	<b>US\$</b>	<b>4,189,333,882</b>	<b>4,189,333,882</b>	<b>-</b>

**V.2. Final Summary of the Second Study to Reconcile Mining and Hydrocarbon Royalties**

Below, we present a final summary of the second reconciliation study on Mining Royalties:

Final summary of the reconciliation of Mining Royalties					
Year	Currency	According to MEF / SUNAT	According to companies	Difference	%
2008	S/	348,328,267	348,288,858	39,409	0.011%
2009	S/	334,147,399	334,096,702	50,697	0.015%
2010	S/	566,548,685	566,528,027	20,658	0.004%
<b>Total</b>	<b>S/</b>	<b>1,249,024,351</b>	<b>1,248,913,587</b>	<b>110,764</b>	<b>0.009%</b>

Notes:

- (i) Immaterial difference

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Next, we present the final summary of the Second Reconciliation Study on Hydrocarbon Royalties:

Final summary of the reconciliation of Hydrocarbon Royalties					
Year	Currency	According to Perupetro	According to companies	Difference (i)	% (i)
2008	US\$	953,665,133	953,682,312	(17,179)	0.002%
2009	US\$	731,510,127	731,507,734	2,393	0.001%
2010	US\$	1,138,862,789	1,138,862,561	228	0.001%
<b>Total</b>	<b>US\$</b>	<b>2,824,038,049</b>	<b>2,824,052,607</b>	<b>(14,558)</b>	<b>0.001%</b>

Notes:

- (i) Immaterial difference.

### V.3. Final Summary of the Second Reconciliation Study on Validity Rights

Next, we present a final summary of the second conciliation of Validity Rights:

Summary of the Conciliation of Validity Rights					
Year	Currency	INGEMMET	Company	Difference (i)	% (i)
2008	US\$	7,757,551	8,020,293	(262,742)	(3.387%)
2009	US\$	7,450,388	8,045,373	(594,985)	(7.986%)
2010	US\$	8,716,090	8,800,722	(84,632)	(0.971%)
<b>Total</b>	<b>US\$</b>	<b>23,924,029</b>	<b>24,866,388</b>	<b>(942,359)</b>	<b>(3.939%)</b>

Notes:

- (i) The differences are due to the fact that INGEMMET reports denouncements that are not recognized by the companies while the companies recognize denouncements that are not declared by INGEMMET. This is due to:

(A) Property transfers of denouncements made by companies that are not reported to INGEMMET

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## **VI. Breakdown of outcomes from the Second Reconciliation Study regarding revenue collection**

This section provides the breakdown of the final outcomes from reconciliation of information provided by the companies signed up to the Study and information provided by public institutions regarding following obligations:

- Income tax
- Mining royalty
- Hydrocarbons royalties
- Validity rights

It should be noted that provided data are linked to the preference of the companies to show data either in aggregate or in disaggregated form.

In the standard agreement subscribed by the companies signed up to the Second EITI Study with the EITI Peru Working Committee, companies indicate their preference to provide information either in aggregate form (together with a determined group of companies) or in disaggregated form (showing in detail the information provided by the company).

The Consultant has entered with the companies signed up to the Second Study into a confidentiality agreement where it undertakes to respect their preferences as set forth in agreement forms.

Below we provide a list of the companies signed up to the EITI setting forth their willingness to participate in the Reconciliation Study:

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

No.	Choice of participation	Activity	Company
<b>Hydrocarbon Sector - Aggregate</b>			
1	Aggregate	Prospecting	Ecopetrol del Perú S.A.
2	Aggregate	Operation	Graña y Montero Petrolera S.A.
3	Aggregate	Operation	Hunt Oil Company of Perú L.L.C, Peru Division
4	Aggregate	Operation	Maple Gas Corporation del Perú S.R.L.
5	Aggregate	Prospecting	Pacific Stratus Energy S.A. Peru Division
6	Aggregate	Prospecting	Perenco Perú Limited Peru Division
7	Aggregate	Operation	Pluspetrol Lot 56 S.A
8	Aggregate	Operation	Pluspetrol Camisea S.A
9	Aggregate	Operation	Pluspetrol Norte S.A
10	Aggregate	Operation	Pluspetrol Perú Corporation S.A
11	Aggregate	Operation	Savia Perú S.A.
12	Aggregate	Operation	SK Innovation Peruvian Division
13	Aggregate	Prospecting	Talisman Perú B.V., Peru Division
<b>Hydrocarbon Sector - Disaggregated</b>			
1	Disaggregated	Operation	Interoil Perú S.A.
2	Disaggregated	Operation	Olympic Perú INC, Peru Division
3	Disaggregated	Operation	Petrobras Energía Perú S.A.
4	Disaggregated	Operation	Repsol Exploration Perú, Peru Division
5	Disaggregated	Operation	Sonatrach Perú Corporation S.A.C
<b>Mining Sector - Aggregate</b>			
1	Aggregate	Operation	Castrovirreyna Compañía minera S.A.
2	Aggregate	Operation	Catalina Huanca Sociedad Minera S.A.C.
3	Aggregate	Operation	Compañía minera Argentum S.A.
4	Aggregate	Operation	Compañía minera Ares S.A.C
5	Aggregate	Operation	Compañía minera Condestable S.A
6	Aggregate	Operation	Compañía minera Raura S.A
7	Aggregate	Operation	Gold Fields La Cima S.A.A.
8	Aggregate	Prospecting	Lumina Copper S.A.C.
9	Aggregate	Operation	Minera Bateas S.A.C.
10	Aggregate	Operation	Minera Suyamarca S.A.C
11	Aggregate	Operation	Pan American Silver S.A. Mina Quiruvilca
12	Aggregate	Operation	Sociedad Minera El Brocal S.A.A.
13	Aggregate	Operation	Volcan Compañía minera S.A.A.
<b>Mining Sector - Disaggregated</b>			
1	Disaggregated	Prospecting	Anglo American Exploration Perú S.A.
2	Disaggregated	Prospecting	Anglo American Michiquillay S.A.
3	Disaggregated	Prospecting	Anglo American Perú S.A.
4	Disaggregated	Prospecting	Anglo American Quellaveco S.A.
5	Disaggregated	Operation	Compañías de Minas Buenaventura S.A.A
6	Disaggregated	Operation	Compañía minera Antamina S.A.
7	Disaggregated	Operation	Compañía minera Atacocha S.A.A
8	Disaggregated	Operation	Compañía minera Milpo S.A.A.
9	Disaggregated	Operation	Compañía minera Poderosa S.A.



Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

No.	Choice of participation	Activity	Company
10	Disaggregated	Operation	Compañía minera San Juan (Perú) S.A.
11	Disaggregated	Operation	Consortio Minero Horizonte S.A.
12	Disaggregated	Operation	Empresa Minera Los Quenuales S.A.
13	Disaggregated	Operation	Minera Barrick Misquichilca S.A.
14	Disaggregated	Operation	Minera Pampa de Cobre S.A
15	Disaggregated	Operation	Minera Yanacocha S.R.L.
16	Disaggregated	Operation	Minsur S.A.
17	Disaggregated	Prospecting	Rio Tinto Minera Perú Limitada S.A.C.
18	Disaggregated	Operation	Sociedad Minera Cerro Verde S.A.A.
19	Disaggregated	Operation	Southern Perú Copper Corporation, Peru Division
20	Disaggregated	Operation	Xstrata Tintaya S.A.

Summary

Sector	Condition	# of companies
Hydrocarbons	Aggregate	13
Hydrocarbons	Disaggregated	5
Mining	Aggregate	13
Mining	Disaggregated	20
<b>Total Aggregate</b>		<b>26</b>
<b>Total Disaggregated</b>		<b>25</b>
<b>Total</b>		<b>51</b>

Sector	Situation	# of companies
Hydrocarbons	Prospecting	4
Hydrocarbons	Operation	14
Mining	Prospecting	6
Mining	Operation	27
<b>Total Prospecting</b>		<b>10</b>
<b>Total Operation</b>		<b>41</b>
<b>Total</b>		<b>51</b>

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## VI.1. Income Tax

For purposes of reconciling Income Tax collected, a universe of 40 companies is considered: 14 hydrocarbon companies in operation stage and 26 mining companies in operation stage, all having signed up to the EITI Initiative. Out of the 51 companies signed up to the Study, 10 companies were in the prospecting stage during the 2008-2010 period and, since they generated no income, they have no income tax to report or pay. Such companies in prospecting stage are:

1. Ecopetrol del Perú S.A.
2. Pacific Stratus Energy S.A., Peru Division
3. Perenco Perú Limited, Peru Division
4. Talisman Perú B.V., Peru Division
5. Anglo American Michiquillay S.A.
6. Anglo American Quellaveco S.A.
7. Anglo American Exploration Perú S.A.
8. Anglo American Perú S.A.
9. Lumina Copper S.A.C.
10. Río Tinto Minera Perú Limitada S.A.C.

Reconciling consists in comparing the reported Income Tax amounts provided by the signed-up mining and hydrocarbon companies to the Income Tax amounts provided by SUNAT. The Income Tax amount accrued during the financial year (amount serving as the basis for the canon distribution process) pertains to the amount calculated for Income Tax, plus the amount for payments on account credited against ITAN, as defined and stated by each company in boxes Nr. 504 and 126 respectively. This does not apply to the companies having more than one economic administrative unit, in which case amounts reported in the mining or hydrocarbon attachments to the tax returns filed by each company to SUNAT are considered.

Income tax amounts were reconciled taking the original reporting currency into account, so the amounts are shown either in Peruvian New Soles or in U.S. dollars according to the reporting currency of each company.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**Reconciliation of the Income Tax paid by Signed-up Companies and Revenues received by  
SUNAT**

**Year 2008**

No.	Company	Currency	Year 2008		
			According to SUNAT	According to Company	Difference
	<u>Hydrocarbon Companies</u>				
1	Interoil Perú S.A.	S/	24,645,474	24,645,474	-
2	Olympic Perú INC, Peru Division	US\$	-	-	-
3	Petrobras Energía Perú S.A.	S/	155,696,092	155,696,092	-
4	Repsol Exploration Perú, Peru Division	S/	870,574	870,574	-
5	Sonatrach Perú Corporation S.A.C.	US\$	6,177,856	6,177,856	-
	Aggregate companies in New Soles (ii)	S/	219,977,877	219,977,877	-
	Aggregate companies in U.S. Dollars (ii)	US\$	145,681,286	145,681,286	-
	<b>TOTAL</b>	<b>S/</b>	<b>401,190,017</b>	<b>401,190,017</b>	<b>-</b>
	<b>TOTAL</b>	<b>US\$</b>	<b>151,859,142</b>	<b>151,859,142</b>	<b>-</b>
	<u>Mining Companies</u>				
1	Compañías de Minas Buenaventura S.A.A.	S/	-	-	-
2	Compañía minera Antamina S.A.	US\$	494,080,678	494,080,678	-
3	Compañía minera Atacocha S.A.A.	S/	-	-	-
4	Compañía minera Milpo S.A.A.	S/	48,660,669	48,660,669	-
5	Compañía minera Poderosa S.A.	S/	21,290,080	21,290,080	-
6	Compañía minera San Juan (Perú) S.A.	S/	-	-	-
7	Consorcio Minero Horizonte S.A.	S/	59,707,232	59,707,232	-
8	Empresa Minera Los Quenuales S.A.	S/	-	-	-
9	Minera Barrick Misquichilca S.A.	US\$	295,836,915	295,836,915	-
10	Minera Pampa de Cobre S.A.	S/	-	-	-
11	Minera Yanacocha S.R.L.	US\$	206,917,474	206,917,474	-
12	Minsur S.A.	S/	447,401,856	447,401,856	-
13	Sociedad Minera Cerro Verde S.A.A.	US\$	348,220,389	348,220,389	-
14	Southern Perú Copper Corporation, Peru Division	S/	1,366,513,606	1,366,513,606	-
15	Xstrata Tintaya S.A.	US\$	92,494,979	92,494,979	-
	Aggregate companies in New Soles (iii)	S/	299,811,546	299,811,546	-
	Aggregate companies in U.S. Dollars (iii)	US\$	-	-	-
	<b>TOTAL</b>	<b>S/</b>	<b>2,243,384,989</b>	<b>2,243,384,989</b>	<b>-</b>
	<b>TOTAL</b>	<b>US\$</b>	<b>1,437,550,435</b>	<b>1,437,550,435</b>	<b>-</b>

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Notes:

(i) Detail of aggregate hydrocarbon companies:

1. Graña y Montero Petrolera S.A.
2. Hunt Oil Company of Perú L.L.C.
3. Savia Perú S.A.
4. SK Innovation Peruvian Division
5. Pluspetrol Norte S.A.
6. Pluspetrol Perú Corporation S.A.
7. Pluspetrol Camisea S.A.
8. Pluspetrol Lot 56 S.A.
9. Maple Gas Corporation del Perú S.R.L.

(ii) Detail of aggregate mining companies:

1. Castrovirreyna Compañía minera S.A.
2. Catalina Huanca Sociedad Minera S.A.C.
3. Compañía minera Argentum S.A.
4. Compañía minera Condestable S.A.
5. Compañía minera Raura S.A.
6. Gold Fields La Cima S.A.
7. Minera Bateas S.A.C.
8. Pan American Silver S.A. Mina Quiruvilca
9. Sociedad Minera El Brocal S.A.A.
10. Compañía minera Ares S.A.
11. Minera Suyamarca S.A.C.
12. Volcan Compañía minera S.A.A.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Year 2009

No.	Company	Currency	Year 2009		
			According to SUNAT	According to Company	Difference
	<u>Hydrocarbon companies</u>				
1	Interoil Perú S.A.	S/	26,997,066	26,997,066	-
2	Olympic Perú INC, Peru Division	US\$	3,800,879	3,800,879	-
3	Petrobras Energía Perú S.A.	S/	98,418,090	98,418,090	-
4	Repsol Exploration Perú, Peru Division	S/	512,144	512,144	-
5	Sonatrach Perú Corporation S.A.C.	US\$	13,511,358	13,511,358	-
	Aggregate companies in New Soles (iii)	S/	145,761,366	145,761,366	-
	Aggregate companies in US Dollars (iii)	US\$	69,736,780	69,736,780	-
	<b>TOTAL</b>	<b>S/</b>	<b>271,688,666</b>	<b>271,688,666</b>	<b>-</b>
	<b>TOTAL</b>	<b>US\$</b>	<b>87,049,017</b>	<b>87,049,017</b>	<b>-</b>
	<u>Mining companies</u>				
1	Compañías de Minas Buenaventura S.A.A.	S/	70,441,840	70,441,840	-
2	Compañía minera Antamina S.A.	US\$	438,388,957	438,388,957	-
3	Compañía minera Atacocha S.A.A.	S/	11,498,716	11,498,716	-
4	Compañía minera Milpo S.A.A.	S/	69,266,759	69,266,759	-
5	Compañía minera Poderosa S.A.	S/	29,724,353	29,724,353	-
6	Compañía minera San Juan (Perú) S.A.	S/	-	-	-
7	Consorcio Minero Horizonte S.A.	S/	68,033,381	68,033,381	-
8	Empresa Minera Los Quenuales S.A.	S/	-	-	-
9	Minera Barrick Misquichilca S.A.	US\$	296,982,753	296,982,753	-
10	Minera Pampa de Cobre S.A.	S/	-	-	-
11	Minera Yanacocha S.R.L.	US\$	310,862,588	310,862,588	-
12	Minsur S.A.	S/	294,717,759	294,717,759	-
13	Sociedad Minera Cerro Verde S.A.A.	US\$	197,518,237	197,518,237	-
14	Southern Perú Copper Corporation, Peru Division	S/	862,682,716	862,682,716	-
15	Xstrata Tintaya S.A.	US\$	68,817,317	68,817,317	-
	Aggregate companies in New Soles (iv)	S/	478,091,043	478,091,043	-
	Aggregate companies in US Dollars (iv)	US\$	-	-	-
	<b>TOTAL</b>	<b>S/</b>	<b>1,884,456,567</b>	<b>1,884,456,567</b>	<b>-</b>
	<b>TOTAL</b>	<b>US\$</b>	<b>1,312,569,852</b>	<b>1,312,569,852</b>	<b>-</b>

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Notes:

(i) Detail of aggregate hydrocarbon companies

1. Graña y Montero Petrolera S.A.
2. Hunt Oil Company of Perú L.L.C.
3. Savia Perú S.A.
4. SK Innovation Peruvian Division
5. Pluspetrol Norte S.A.
6. Pluspetrol Perú Corporation S.A.
7. Pluspetrol Camisea S.A.
8. Pluspetrol Lot 56 S.A.
9. Maple Gas Corporation del Perú S.R.L.

(ii) Detail of aggregate mining companies:

1. Castrovirreyna Compañía minera S.A.
2. Catalina Huanca Sociedad Minera S.A.C.
3. Compañía minera Argentum S.A.
4. Compañía minera Condestable S.A.
5. Compañía minera Raura S.A.
6. Gold Fields La Cima S.A.
7. Minera Bateas S.A.C.
8. Pan American Silver S.A. Mina Quiruvilca
9. Sociedad Minera El Brocal S.A.A.
10. Compañía minera Ares S.A.
11. Minera Suyamarca S.A.C.
12. Volcan Compañía minera S.A.A.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Year 2010

No.	Company	Currency	Year 2010		
			According to SUNAT	According to Company	Difference
	<u>Hydrocarbon companies</u>				
1	Interoil Perú S.A.	S/	21,594,407	21,594,407	-
2	Olympic Perú INC, Peru Division	US\$	8,133,427	8,133,427	-
3	Petrobras Energía Perú S.A.	S/	105,916,633	105,916,633	-
4	Repsol Exploration Perú, Peru Division	S/	36,207,698	36,207,698	-
5	Sonatrach Perú Corporation S.A.C.	US\$	30,749,827	30,749,827	-
	Aggregate Companies in New Soles (iii)	S/	282,079,513	282,079,513	-
	Aggregate Companies in US dollars (iii)	US\$	173,618,569	173,618,569	-
	<b>TOTAL</b>	<b>S/</b>	<b>445,798,251</b>	<b>445,798,251</b>	<b>-</b>
	<b>TOTAL</b>	<b>US\$</b>	<b>212,501,823</b>	<b>212,501,823</b>	<b>-</b>
	<u>Mining companies</u>				
1	Compañías de Minas Buenaventura S.A.A.	S/	106,750,452	106,750,452	-
2	Compañía minera Antamina S.A.	US\$	448,218,478	448,218,478	-
3	Compañía minera Atacocha S.A.A.	S/	40,508,809	40,508,809	-
4	Compañía minera Milpo S.A.A.	S/	111,612,579	111,612,579	-
5	Compañía minera Poderosa S.A.	S/	35,745,862	35,745,862	-
6	Compañía minera San Juan (Perú) S.A.	S/	550,922	550,922	-
7	Consorcio Minero Horizonte S.A.	S/	100,827,127	100,827,127	-
8	Empresa Minera Los Quenuales S.A.	S/	2,260,498	2,260,498	-
9	Minera Barrick Misquichilca S.A.	US\$	296,098,755	296,098,755	-
10	Minera Pampa de Cobre S.A.	S/	-	-	-
11	Minera Yanacocha S.R.L.	US\$	277,824,591	277,824,591	-
12	Minsur S.A.	S/	512,498,780	512,498,780	-
13	Sociedad Minera Cerro Verde S.A.A.	US\$	417,071,771	417,071,771	-
14	Southern Perú Copper Corporation, Peru Division	S/	1,434,187,522	1,434,187,522	-
15	Xstrata Tintaya S.A.	S/	335,535,395	335,535,395	-
	Aggregate companies in New Soles (iv)	S/	712,494,700	712,494,700	-
	Aggregate companies in US Dollars (iv)	US\$	-	-	-
	<b>TOTAL</b>	<b>S/</b>	<b>3,392,972,646</b>	<b>3,392,972,646</b>	<b>-</b>
	<b>TOTAL</b>	<b>US\$</b>	<b>1,439,213,595</b>	<b>1,439,213,595</b>	<b>-</b>

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Notes:

(i) Detail of aggregate hydrocarbon companies:

1. Graña y Montero Petrolera S.A.
2. Hunt Oil Company of Perú L.L.C.
3. Savia Perú S.A.
4. SK Innovation Peruvian Division
5. Pluspetrol Norte S.A.
6. Pluspetrol Perú Corporation S.A.
7. Pluspetrol Camisea S.A.
8. Pluspetrol Lot 56 S.A.
9. Maple Gas Corporation del Perú S.R.L.

(ii) Detail of aggregate mining companies:

1. Castrovirreyna Compañía minera S.A.
2. Catalina Huanca Sociedad Minera S.A.C.
3. Compañía minera Argentum S.A.
4. Compañía minera Condestable S.A.
5. Compañía minera Raura S.A.
6. Gold Fields La Cima S.A.
7. Minera Bateas S.A.C.
8. Pan American Silver S.A. Mina Quiruvilca
9. Sociedad Minera El Brocal S.A.A.
10. Compañía minera Ares S.A.
11. Minera Suyamarca S.A.C.
12. Volcan Compañía minera S.A.A.



# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## VI.2. Mining Royalties

Mining royalties are determined for mining companies in operation. Of the universe of companies signed up to the Second Study, 26 of the 33 companies classified as mining companies are in such production stage. Of these 26 companies in operation, 5 have entered tax and administrative stability agreements prior to entry into force of the Mining Royalty Law N° 28258 (June 2004), so the obligation to pay the Mining Royalty is not applicable to such companies in the period under review. Therefore, the universe of companies signed up to the Study which are required to pay mining royalty and for which the applicable reconciliation has been conducted consists of 21 companies

Mining companies in the prospecting stage to which mining royalties do not apply are:

1. Anglo American Michiquillay S.A.
2. Anglo American Quellaveco S.A.
3. Anglo American Exploration del Perú S.A.
4. Anglo American Perú S.A.
5. Río Tinto Minera Perú Limitada S.A.C.
6. Lumina Copper S.A.C.

Mining companies in production stage which have entered tax and administrative stability agreements prior to the entry into force of the Mining Royalty Law N° 28258 (June 2004) and are therefore not required to pay the Mining Royalty during the period under review are:

1. Compañía minera Antamina S.A.
2. Sociedad Minera Cerro Verde S.A.A.
3. Xstrata Tintaya S.A.
4. Minera Barrick Misquichilca S.A.
5. Compañía minera Milpo S.A.A.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**Reconciliation of mining royalties paid by the signed-up companies and revenues received  
by SUNAT, denominated in Peruvian New Soles.**

**Year 2008**

No.	Company	2008 (S/.)			
		SUNAT / MEF	Company	Difference (i)	% (i)
1.-	Minera Pampa de Cobre S.A.	1,077,873	1,077,873	-	-
2.-	Compañía minera Atacocha S.A.A.	3,909,500	3,909,500	-	-
3.-	Minsur S.A.	57,803,786	57,803,786	-	-
4.-	Compañía minera Poderosa S.A.	3,429,093	3,429,093	-	-
5.-	Minera Yanacocha S.R.L.	212,318	209,458	2,860	1.347%
6.-	Compañías de Minas Buenaventura S.A.A.	39,396,526	39,396,526	-	-
7.-	Empresa Minera Los Quenuales S.A.	8,137,055	8,137,055	-	-
8.-	Consorcio Minero Horizonte S.A.	7,485,217	7,485,217	-	-
9.-	Southern Perú Cooper Corporation Peru Division	155,706,550	155,706,550	-	-
10.-	Compañía minera San Juan (Perú) S.A.	148,051	148,051	-	-
	Aggregate companies (ii)	71,022,298	70,985,749	36,549	0.051%
	<b>Total</b>	<b>348,328,267</b>	<b>348,288,858</b>	<b>39,409</b>	<b>0.011%</b>

Notes:

(i) No significant difference

(ii) List of aggregate companies:

1. Castrovirreyna Compañía minera S.A.
2. Catalina Huanca Sociedad Minera S.A.C.
3. Compañía minera Argentum S.A.
4. Compañía minera Condestable S.A.
5. Compañía minera Ares S.A.C.
6. Compañía minera Raura S.A.
7. Gold Fields La Cima S.A.A.
8. Minera Bateas S.A.C.
9. Minera Suyamarca S.A.C.
10. Pan American Silver S.A. Mina Quiruvilca
11. Sociedad Minera El Brocal S.A.A.
12. Volcan Compañía minera S.A.A.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**Reconciliation of mining royalties paid by signed-up companies and revenues received by  
SUNAT, denominated in Peruvian New Soles.**

Year 2009

No.	Company	2009 (S/.)			
		SUNAT / MEF	Company	Difference (i)	% (i)
1.-	Minera Pampa de Cobre S.A.	791,811	791,811	-	-
2.-	Compañía minera Atacocha S.A.A.	3,026,655	3,026,655	-	-
3.-	Minsur S.A.	34,222,452	34,222,452	-	-
4.-	Cía. Minera Poderosa S.A.	4,766,995	4,761,316	5,679	0.119%
5.-	Minera Yanacocha S.R.L.	193,043	193,043	-	-
6.-	Compañías de Minas Buenaventura S.A.A.	45,100,742	45,100,742	-	-
7.-	Empresa Minera Los Quenuales S.A.	2,957,946	2,957,946	-	-
8.-	Consortio Minero Horizonte S.A.	8,267,405	8,261,069	6,336	0.077%
9.-	Southern Perú Cooper Corporation Peru Division	128,930,787	128,930,787	-	-
10.-	Compañía minera San Juan (Perú) S.A.	-	-	-	-
	Aggregate companies (ii)	105,889,563	105,850,881	38,682	0.037%
	<b>Total</b>	<b>334,147,399</b>	<b>334,096,702</b>	<b>50,697</b>	<b>0.015%</b>

Notes:

- (i) No significant difference
  
- (ii) Detail of aggregate companies:
  1. Castrovirreyna Compañía minera S.A.
  2. Catalina Huanca Sociedad Minera S.A.C.
  3. Compañía minera Argentum S.A.
  4. Compañía minera Condestable S.A.
  5. Compañía minera Ares S.A.C.
  6. Compañía minera Raura S.A.
  7. Gold Fields La Cima S.A.A.
  8. Minera Bateas S.A.C.
  9. Minera Suyamarca S.A.C.
  10. Pan American Silver S.A. Mina Quiruvilca
  11. Sociedad Minera El Brocal S.A.A.
  12. Volcan Compañía minera S.A.A.
  
- (iii) Minera San Juan S.A. was not operating during this period.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**Reconciliation of mining royalties paid by signed-up companies and revenues received by  
SUNAT, denominated in Peruvian New Soles.**

**Year 2010**

No.	Company	2010 (S/.)			
		SUNAT / MEF	Company	Difference (i)	% (i)
1.-	Minera Pampa de Cobre S.A.	1,363,330	1,363,330	-	-
2.-	Compañía minera Atacocha S.A.A.	5,275,671	5,275,671	-	-
3.-	Minsur S.A.	62,136,170	62,136,170	-	-
4.-	Cía. Minera Poderosa S.A.	7,018,662	7,018,662	-	-
5.-	Minera Yanacocha S.R.L.	38,175,082	38,175,082	-	-
6.-	Compañías de Minas Buenaventura S.A.A.	55,827,912	55,827,912	-	-
7.-	Empresa Minera Los Quenuales S.A.	8,794,537	8,794,537	-	-
8.-	Consorcio Minero Horizonte S.A.	14,243,907	14,243,907	-	-
9.-	Southern Perú Cooper Corporation Peru Division	184,977,664	184,977,664	-	-
10.-	Compañía minera San Juan (Perú) S.A.	275,948	275,948	-	-
11.-	Xstrata Tintaya S.A. (iii)	35,843,260	35,843,260	-	-
	Aggregate companies (ii)	152,616,542	152,595,884	20,658	0.014%
	<b>Total</b>	<b>566,548,685</b>	<b>566,528,027</b>	<b>20,658</b>	<b>0.004%</b>

Notes:

(i) No significant difference

(ii) Detail of aggregate companies:

1. Castrovirreyna Compañía minera S.A.
2. Catalina Huanca Sociedad Minera S.A.C.
3. Compañía minera Argentum S.A.
4. Compañía minera Condestable S.A.
5. Compañía minera Ares S.A.C.
6. Compañía minera Raura S.A.
7. Gold Fields La Cima S.A.A.
8. Minera Bateas S.A.C.
9. Minera Suyamarca S.A.C.
10. Pan American Silver S.A. Mina Quiruvilca
11. Sociedad Minera El Brocal S.A.A.
12. Volcan Compañía minera S.A.A.

(iii) From this period onward, Xstrata Tintaya S.A. began paying mining royalties.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## **VI.3. Hydrocarbon Royalties**

Of the 18 companies of the hydrocarbon sector included in the Second Study, 14 have reported operation activities during the 2008, 2009 and 2010 periods. The companies that have not reported operations (prospecting stage) for this period are:

1. Ecopetrol del Perú S.A.
2. Perenco Perú Limited, Peru Division
3. Pacific Stratus Energy S.A., Peru Division
4. Talisman Perú B.V., Peru Division

Additionally, 2 companies appear to have a service contract and are consequently not affected by the payment of mining royalties; they are:

1. Graña y Montero Petrolera S.A.
2. Savia Perú S.A

Since hydrocarbon royalties are collected in US dollars, figures in this report are denominated in such currency.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**Hydrocarbon Royalties**

**Year 2008**

No.	Company	Lot	2008			
			Perupetro	Company	Difference (i)	% (i)
1	Interoil Perú S.A.	III / VI	56,704,081	56,703,993	88	0.001%
2	Olympic Perú INC, Peru Division	XIII	20,665,060	20,664,926	134	0.001%
3	Petrobras Energía Perú S.A.	X	206,471,671	206,483,973	(12,302)	(0.005%)
4	Repsol Exploration Perú, Peru Division	56 / 88	40,737,892	40,737,892	-	-
5	Sonatrach Perú Corporation S.A.C	56 / 88	40,839,062	40,839,062	-	-
	Aggregate companies (ii)		588,247,367	588,252,466	(5,099)	(0.001%)
	<b>Total</b>		<b>953,665,133</b>	<b>953,682,312</b>	<b>(17,179)</b>	<b>(0.000%)</b>

Notes:

(i) No significant difference

(ii) Detail of aggregate companies:

1. SK Innovation Peruvian Division
2. Hunt Oil Company of Perú L.L.C, Peru Division
3. Pluspetrol Norte S.A.
4. Pluspetrol Camisea S.A.
5. Pluspetrol Perú Corporation S.A.
6. Pluspetrol Lot 56 S.A.
7. Maple Gas Corporation del Perú S.R.L.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**Hydrocarbon Royalties:**  
**Year 2009**

No.	Company	Lot	2009			
			Perupetro	Company	Difference (i)	% (i)
1	Interoil Perú S.A.	III / VI	48,690,128	48,690,128	-	-
2	Olympic Perú INC, Peru Division	XIII	19,279,170	19,279,170	-	-
3	Petrobras Energía Perú S.A.	X	84,022,631	84,018,064	4,567	0.005%
4	Repsol Exploration Perú, Peru Division	56 / 88	47,235,322	47,235,322	-	-
5	Sonatrach Perú Corporation S.A.C	56 / 88	47,353,321	47,353,321	-	-
	Aggregate companies (ii)		484,929,555	484,931,729	(2,174)	0.001%
	<b>Total</b>		<b>731,510,127</b>	<b>731,507,734</b>	<b>2,393</b>	<b>0.001%</b>

Notes:

(i) No significant difference

(ii) Detail of aggregate companies:

1. SK Innovation Peruvian Division
2. Hunt Oil Company of Perú L.L.C, Peru Division
3. Pluspetrol Norte S.A.
4. Pluspetrol Camisea S.A.
5. Pluspetrol Perú Corporation S.A.
6. Pluspetrol Lot 56 S.A.
7. Maple Gas Corporation del Perú S.R.L.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**Hydrocarbon Royalties**

**Year 2010**

No.	Company	Lot	2010			
			Perupetro	Company	Difference (i)	% (i)
1	Interoil Perú S.A.	III / VI	53,892,710	53,892,701	9	0.001%
2	Olympic Perú INC, Peru Division	XIII	33,847,422	33,847,400	22	0.001%
3	Petrobras Energía Perú S.A.	X	125,884,016	125,884,016	-	
4	Repsol Exploration Perú, Peru Division	56 / 88	80,985,008	80,985,008	-	
5	Sonatrach Perú Corporation S.A.C.	56 / 88	81,080,886	81,080,886	-	
	Aggregate companies (i)		763,172,747	763,172,550	197	0.001%
	<b>Total</b>		<b>1,138,862,789</b>	<b>1,138,862,561</b>	<b>228</b>	<b>0.001%</b>

Notes:

(i) No significant difference

(ii) Detail of aggregate companies:

1. SK Innovation Peruvian Division
2. Hunt Oil Company of Perú L.L.C, Peru Division
3. Pluspetrol Norte S.A.
4. Pluspetrol Camisea S.A.
5. Pluspetrol Perú Corporation S.A.
6. Pluspetrol Lot 56 S.A.
7. Maple Gas Corporation del Perú S.R.L.



Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**VI.4. Validity Rights**

In the present Second Reconciliation Study, 32 of 33 participating mining companies effected payments in the form of validity rights (one mining company provided no information pertaining to validity rights).

For the purposes of present Second Study, payments reported by companies for claims that they are not registered under such name in INGEMMET have been excluded.

The information is denominated in US Dollars, as reported by INGEMMET. It should be noted that certain companies provided information in Peruvian New Soles. For comparison purposes, such data were converted to US dollars using the yearly average of the official Exchange rate published by the Banking and Insurance Superintendence (acronym in Spanish: SBS) for the dates of origin of the transactions.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

**Year 2008**

No.	Company	2008				
		INGEMMET	Company	Difference (i)	% (i)	
1	Anglo American Exploration Perú S.A.	98,970	100,170	(1,200)	(1.212%)	
2	Anglo American Michiquillay S.A.	34,354	12,154	22,200	64.621%	
3	Anglo American Quellaveco S.A.	199,783	194,783	5,000	2.503%	
4	Compañías de Minas Buenaventura S.A.A.	1,508,505	2,330,834	(822,329)	(54.513%)	
5	Compañía minera Antamina S.A.	163,850	163,850	-	-	
6	Compañía minera Atacocha S.A.A	13,681	18,601	(4,920)	(35.962%)	
7	Compañía minera Milpo S.A.A.	425,183	114,775	310,408	73.006%	
8	Compañía minera Poderosa S.A.	218,561	270,237	(51,676)	(23.644%)	
9	Compañía minera San Juan (Perú) S.A.	7,324	7,388	(64)	(0.874%)	
10	Consorcio Minero Horizonte S.A.	212,120	208,190	3,930	1.853%	
11	Empresa Minera Los Quenuales S.A.	332,233	331,333	900	0.271%	
12	Minera Barrick Misquichilca S.A.	181,293	179,741	1,552	0.856%	
13	Minera Pampa de Cobre S.A.	206,167	16,132	190,035	92.175%	
14	Minera Yanacocha S.R.L.	826,573	891,798	(65,225)	(7.891%)	
15	Minsur S.A.	362,818	326,313	36,505	10.062%	
16	Rio Tinto Minera Perú Limitada S.A.C.	17,100	22,200	(5,100)	(29.825%)	
17	Sociedad Minera Cerro Verde S.A.A.	179,361	168,293	11,068	6.171%	
18	Southern Perú Copper Corporation, Peru Division	733,957	609,008	124,949	17.024%	
19	Xstrata Tintaya S.A.	263,580	251,423	12,157	4.612%	
	Aggregate companies (ii)	1,772,138	1,803,070	(30,932)	(1.745%)	
	<b>Total</b>	<b>7,757,551</b>	<b>8,020,293</b>	<b>718,704</b>	<b>(981,446)</b>	<b>(3.387%)</b>

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Notes:

- (i) The differences result from the fact that INGEMMET reports claims that are not recognized by the company while, on the other hand, the company recognized claims not reported by INGEMMET. This is due to:
  - (A) Transfers of ownership claims among companies, that still may have not been reported to INGEMMET
  - (B) The companies may have reported claims they were paying for third parties.
  
- (ii) Detail of aggregate companies:
  - 1. Lumina Copper S.A.C.
  - 2. Gold Fields La Cima S.A.A.
  - 3. Castrovirreyña Compañía minera S.A.
  - 4. Catalina Huanca Sociedad Minera S.A.C.
  - 5. Compañía minera Argentum S.A.
  - 6. Compañía minera Condestable S.A.
  - 7. Compañía minera Raura S.A.
  - 8. Minera Bateas S.A.C.
  - 9. Pan American Silver S.A. Mina Quiruvilca
  - 10. Sociedad Minera El Brocal S.A.A.
  - 11. Compañía minera Ares S.A.C.
  - 12. Minera Suyamarca S.A.C.
  - 13. Volcan Compañía minera S.A.A.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Year 2009

No.	Company	2009				
		INGEMMET	Company	Difference (i)		% (i)
1	Anglo American Exploration Perú S.A.	83,442	83,442	-	-	-
2	Anglo American Michiquillay S.A.	34,354	12,154	22,200		64.621%
3	Anglo American Quellaveco S.A.	199,783	194,783	5,000		2.503%
4	Compañías de Minas Buenaventura S.A.A	1,243,604	2,189,737		(946,133)	(76.080%)
5	Compañía minera Antamina S.A.	168,950	163,850	5,100		3.019%
6	Compañía minera Atacocha S.A.A	13,125	7,594	5,531		42.141%
7	Compañía minera Milpo S.A.A.	357,809	110,934	246,875		68.996%
8	Compañía minera Poderosa S.A.	269,942	265,807	4,135		1.532%
9	Compañía minera San Juan (Perú) S.A.	7,089	7,143		(54)	(0.762%)
10	Consorcio Minero Horizonte S.A.	238,260	226,454	11,806		4.955%
11	Empresa Minera Los Quenuales S.A.	288,620	288,920		(300)	(0.104%)
12	Minera Barrick Misquichilca S.A.	402,380	400,828	1,552		0.386%
13	Minera Pampa de Cobre S.A	207,982	207,286	696		0.335%
14	Minera Yanacocha S.R.L.	811,043	840,770		(29,727)	(3.665%)
15	Minsur S.A.	349,406	326,109	23,297		6.668%
16	Rio Tinto Minera Perú Limitada S.A.C.	17,100	22,200		(5,100)	(29.825%)
17	Sociedad Minera Cerro Verde S.A.A.	179,697	176,411	3,286		1.829%
18	Southern Perú Copper Corporation, Peru Division	647,766	565,711	82,055		12.667%
19	Xstrata Tintaya S.A.	268,080	278,787		(10,707)	(3.994%)
	Aggregate companies (ii)	1,661,956	1,676,453		(14,497)	(0.872%)
	<b>Total</b>	<b>7,450,388</b>	<b>8,045,373</b>	<b>411,533</b>	<b>(1,006,518)</b>	<b>(7.986%)</b>

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## Notes:

(i) The differences result from the fact that INGEMMET reports claims that are not recognized by the company while, on the other hand, the company recognized claims not reported by INGEMMET. This is due to:

(A) Transfers of ownership claims among companies, that still may have not been reported to INGEMMET

(B) The companies may have reported claims they were paying for third parties.

(iii) Detail of aggregate companies:

1. Lumina Copper S.A.C.
2. Gold Fields La Cima S.A.A.
3. Castrovirreyna Compañía minera S.A.
4. Catalina Huanca Sociedad Minera S.A.C.
5. Compañía minera Argentum S.A.
6. Compañía minera Condestable S.A.
7. Compañía minera Raura S.A.
8. Minera Bateas S.A.C.
9. Pan American Silver S.A. Mina Quiruvilca
10. Sociedad Minera El Brocal S.A.A.
11. Compañía minera Ares S.A.C.
12. Minera Suyamarca S.A.C.
13. Volcan Compañía minera S.A.A.

Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)  
(Continuation)

Year 2010

No.	Company	2010				
		INGEMMET	Company	Difference (i)	% (i)	
1	Anglo American Exploration Perú S.A.	266,742	83,442	183,300	68.718%	
2	Anglo American Michiquillay S.A.	33,754	33,754	-	-	
3	Anglo American Quellaveco S.A.	261,883	194,783	67,100	25.622%	
4	Compañías de Minas Buenaventura S.A.A	1,444,739	2,472,192	(1,027,453)	(71.117%)	
5	Compañía minera Antamina S.A.	171,950	171,950	-	-	
6	Compañía minera Atacocha S.A.A	13,125	12,132	993	7.566%	
7	Compañía minera Milpo S.A.A.	493,783	229,779	264,004	53.466%	
8	Compañía minera Poderosa S.A.	312,948	321,164	(8,216)	(2.625%)	
9	Compañía minera San Juan (Perú) S.A.	14,633	7,407	7,226	49.382%	
10	Consorcio Minero Horizonte S.A.	278,300	228,604	49,696	17.857%	
11	Empresa Minera Los Quenuales S.A.	320,645	320,841	(196)	(0.061%)	
12	Minera Barrick Misquichilca S.A.	566,090	550,127	15,963	2.820%	
13	Minera Pampa de Cobre S.A	243,394	232,273	11,121	4.569%	
14	Minera Yanacocha S.R.L.	879,610	853,352	26,258	2.985%	
15	Minsur S.A.	386,267	374,342	11,925	3.087%	
16	Rio Tinto Minera Perú Limitada S.A.C.	17,100	22,200	(5,100)	(29.825%)	
17	Sociedad Minera Cerro Verde S.A.A.	188,007	186,611	1,396	0.743%	
18	Southern Perú Copper Corporation, Peru Division	611,223	559,261	51,962	8.501%	
19	Xstrata Tintaya S.A.	386,672	284,072	102,600	26.534%	
	Aggregate companies(ii)	1,825,225	1,662,436	162,789	8.919%	
	<b>Total</b>	<b>8,716,090</b>	<b>8,800,722</b>	<b>956,333</b>	<b>(1,040,965)</b>	<b>(0.971%)</b>

**Consultancy for the Second National Reconciliation Study of the  
Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)**  
(Continuation)

Notes:

- (i) The differences result from the fact that INGEMMET reports claims that are not recognized by the company while, on the other hand, the company recognized claims not reported by INGEMMET. This is due to:
  - (A) Transfers of ownership claims among companies, which still may have not been reported to INGEMMET
  - (B) The companies may have reported claims they were paying for third parties.
  
- (iii) Detail of aggregate companies:
  - 1. Lumina Copper S.A.C.
  - 2. Gold Fields La Cima S.A.A.
  - 3. Castrovirreyna Compañía minera S.A.
  - 4. Catalina Huanca Sociedad Minera S.A.C.
  - 5. Compañía minera Argentum S.A.
  - 6. Compañía minera Condestable S.A.
  - 7. Compañía minera Raura S.A.
  - 8. Minera Bateas S.A.C.
  - 9. Pan American Silver S.A. Mina Quiruvilca
  - 10. Sociedad Minera El Brocal S.A.A.
  - 11. Compañía minera Ares S.A.C.
  - 12. Minera Suyamarca S.A.C.
  - 13. Volcan Compañía minera S.A.A.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## **VII. Breakdown of outcomes of the Second Reconciliation Study regarding distribution**

### **VII.1. Mining Canon**

To verify distribution of the mining canon, a new calculation was made for: i) the mining canon amount resulting from accrued Income tax reported by companies signed-up to the initiative, ii) distribution of the amount resulting from the mining canon paid by each mining company based on the methodology described in Section IV. 1 sub-paragraph 2.2 of present report.

Such recalculation has been performed to show the departments that have benefited from the mining canon for income tax reported by the companies signed up to the Study, for the following reasons:

- Official information on distribution of the mining canon provided by the Presidential Office of the Council of Ministers is prepared in aggregate form and not itemizing data for each mining company in the country.
- This present second Study does not involve all mining companies of the country in operation stage, but only the companies signed up to the EITI initiative, which, in most cases, are the most representative of every mineral that they extract, as shown in Section II, sub-paragraph 2.1 of this report.

Therefore, it is not possible to reconcile the distributed amounts of mining canon that were calculated in this Second Study based on the information of the companies signed up to the EITI initiative for local governments of the departments and the regional governments, and the amounts officially reported by the Peruvian State.

Consequently, in consistency with the scope defined by the EITI Working Committee, which seeks to establish whether the resources from production of natural resources by extractive industries translate into income for the localities in which such natural resources are extracted, this verification of the mining canon distribution has compared the amounts to be distributed, as determined based on available information and as provided in the Mining Canon Law, to the official amounts transferred for mining canon, whereby latter amounts should be higher because they include revenue from income tax from all mining companies in Peru.

Furthermore, for the purposes of present product 3, we used as data source the Income tax figures of the companies provided by the company and by SUNAT.

Below we provide the result of recalculating the mining canon distribution for each year under review: 2008, 2009 and 2010, in Peruvian new soles, for each of the regions in which the mining units of the mining companies signed up to the Second Study are located. Based on obtained information on transferred mining canon amounts, comparison can be made of recalculated amounts to official figures for mining canon funds transferred to each region.



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(Continuation)

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)

## Mining canon distribution

Year 2008

Figures Determined for the Reconciliation Study		
Mining Canon Beneficiary Departments	Local Governments	Regional
	75% (1)	25%
Ancash	635,035,242	211,678,414
Apurímac	9,004,409	3,001,470
Arequipa	386,841,076	128,947,025
Ayacucho	2,152,632	717,544
Cajamarca	227,040,198	75,680,066
Cusco	101,490,116	33,830,039
Huancavelica	1,404,641	468,214
Huánuco	1,349,751	449,917
Ica	11,329,194	3,776,398
Junín	21,698,433	7,232,811
La Libertad	263,614,898	87,871,633
Lima	10,946,010	3,648,670
Moquegua	282,073,781	94,024,594
Pasco	66,496,687	22,165,562
Puno	167,775,696	55,925,232
Tacna	230,368,822	76,789,607
	<b>2,418,621,586</b>	<b>806,207,196</b>
Consistency of Income Tax Collection –Mining Canon Distribution		
Income Tax Collection	Income Tax collected according to SUNAT	Canon (50% of collected revenues)
Total collected S/.	2,243,384,989	1,121,692,495
Total collected US\$	1,437,550,435	718,775,218
Total collected denominated in S/. (2)	6,449,657,562	<b>3,224,828,783</b>
Mining Canon Distribution		
Total distribution to local governments of the departments S/.		2,418,621,586
Total distribution to Regional Governments S/.		806,207,196
Total distribution in S/.		<b>3,224,828,782</b>

Official figures - PCM	
Local Governments	Regional
75% (1)	25%
641,109,151	214,366,464
9,004,409	3,001,469
398,134,399	132,711,466
7,127,153	2,375,717
171,078,717	57,026,339
101,455,431	33,818,477
12,640,267	4,213,422
1,984,209	698,662
82,859,668	27,619,890
29,169,872	9,737,679
279,538,730	92,516,028
51,220,157	17,058,998
288,751,155	96,812,820
84,464,072	28,117,432
186,163,858	61,492,184
230,434,487	76,811,496
<b>2,575,135,735</b>	<b>858,378,543</b>

Notes:

- (1) Includes 10% allocated to the district municipality, plus 25% allocated to provincial municipalities, plus 40% allocated to the departmental municipalities.
- (2) The average exchange rate for the year has been used to convert into domestic currency the amounts received in US dollars.
- (3) The difference in the Mining Canon distributed to Cajamarca is due to the fact that the Cajamarca Regional Government asked to deduct from the total Mining Canon amount due, totaling S/. 80,478,071 (S/. 74,615,208 corresponding to companies signed up to present Study) as guarantees of indebtedness for the Regional Government.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)

## Mining canon distribution

Year 2009

Figures Determined for the Reconciliation Study		
Mining Canon Beneficiary Departments	Local Governments of the Department	Regional Governments
	75% (1)	25%
Ancash	579,942,515	193,314,172
Apurímac	558,559	186,186
Arequipa	253,079,855	84,359,952
Ayacucho	25,604,779	8,534,926
Cajamarca	377,102,758	125,700,919
Cusco	77,729,160	25,909,720
Huancavelica	3,292,565	1,097,522
Huánuco	1,018,562	339,521
Ica	15,572,690	5,190,897
Junín	42,072,959	14,024,320
La Libertad	288,032,331	96,010,777
Lima	17,961,307	5,987,102
Moquegua	174,160,193	58,053,398
Pasco	73,225,643	24,408,548
Puno	110,519,160	36,839,720
Tacna	149,345,825	49,781,942
	<b>2,189,218,861</b>	<b>729,739,622</b>

Official Figures - PCM	
Local Governments of the Department	Regional Governments
75% (1)	25%
585,937,285	196,304,582
558,559	186,186
260,633,946	86,877,981
25,743,023	8,581,008
308,767,183	102,922,395
77,729,160	25,909,720
4,335,927	1,453,078
1,222,050	421,309
50,506,740	16,835,580
47,251,880	15,750,627
317,488,267	104,837,269
54,366,102	16,428,625
183,567,194	61,922,817
109,777,494	37,449,265
136,738,218	44,845,654
149,404,960	49,801,653
<b>2,314,027,988</b>	<b>770,527,749</b>

Consistency of Income Tax Collection – Mining Canon Distribution		
Income Tax collection		
	Income Tax collected according to SUNAT	Canon (50% collected revenues)
Total collected S/.	1,884,456,567	942,228,284
Total collected US\$	1,312,569,852	656,284,926
Total collected denominated in S/. (2)	5,837,916,961	<b>2,918,958,483</b>
Mining Canon Distribution		
Total distribution to the local governments of the departments S/.		2,189,218,861
Total distribution to Regional Governments S/.		729,739,622
Total distribution in S/.		<b>2,918,958,483</b>

Notes:

- (1) Includes 10% allocated to the district municipality, plus 25% allocated to provincial municipalities, plus 40% allocated to the departmental municipalities.
- (2) The average exchange rate for the year has been used to convert into domestic currency the amounts received in US dollars.
- (3) The difference in the Mining Canon distributed to Cajamarca is due to the fact that the Cajamarca Regional Government asked to deduct from the total Mining Canon amount due, totaling S/. 94,965,030 (S/. 91,946,338 corresponding to companies signed up to present Study) as guarantees of indebtedness for the Regional Government.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)

## Mining canon distribution

Year 2010

Figures Determined for the Reconciliation Study		
	Local Governments	Regional
Mining Canon Beneficiary Departments	75% (1)	25%
Ancash	547,372,789	182,457,596
Arequipa	487,648,757	162,549,586
Ayacucho	42,899,711	14,299,904
Cajamarca	375,239,459	125,079,820
Cusco	125,825,773	41,941,924
Huancavelica	5,602,424	1,867,475
Huánuco	3,227,011	1,075,670
Ica	26,645,827	8,881,942
Junín	48,593,001	16,197,667
La Libertad	296,714,411	98,904,804
Lima	18,757,586	6,252,529
Moquegua	275,544,295	91,848,098
Pasco	89,037,237	29,679,079
Puno	192,187,043	64,062,348
Tacna	262,276,025	87,425,342
	<b>2,797,571,349</b>	<b>932,523,784</b>
<b>Consistency Income Tax Collection – Mining Canon Distribution</b>		
<b>Income Tax Collection</b>		
	Income Tax collected according to n SUNAT	Canon (50% collected revenues)
Total collected S/.	3,392,972,646	1,696,486,323
Total collected US\$	1,439,213,595	719,606,798
Total collected, denominated in S/. (2)	7,460,190,265	<b>3,730,095,133</b>
<b>Mining Canon Distribution</b>		
Total distribution to local governments of the departments S/.		2,797,571,349
Total distribution to Regional Governements S/.		932,523,784
Total distribution in S/.		<b>3,730,095,133</b>

Official Figures - PCM	
Local Governments	Regional Governments
75% (1)	25%
566,042,049	190,003,835
496,987,003	165,662,334
42,715,568	14,363,333
313,253,715	104,417,905
127,579,443	42,503,456
6,402,154	2,134,052
3,242,217	1,080,739
151,490,870	50,496,957
58,974,910	19,688,686
345,497,745	113,842,763
79,256,805	26,373,270
293,414,736	99,092,718
136,267,183	45,437,677
231,343,344	75,826,642
262,576,206	87,525,402
<b>3,115,043,948</b>	<b>1,038,449,769</b>

Notes:

- (1) Includes 10% allocated to the district municipality, plus 25% allocated to provincial municipalities, plus 40% allocated to the departmental municipalities.
- (2) The average exchange rate for the year has been used to convert into doMonthtic currency the amounts received in US dollars.
- (3) The difference in the Mining Canon distributed to Cajamarca is due to the fact that the Cajamarca Regional Government asked to deduct from the total Mining Canon amount due, totaling S/. 96,172,175 (S/. 91,946,338 corresponding to companies signed up to present Study) as guarantees of indebtedness for the Regional Government.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010)

## VII.2. Mining Royalty

To verify distribution of mining royalty, distribution of the amount paid for mining royalty has been recalculated using the methodology described in Section IV. 2 sub-paragraph 2.2 of this report.

Such recalculation has been performed to show the departments that have benefited from the mining royalty from the companies signed up to the Study, due to the following:

- Official information on distribution of the mining royalty provided by the Presidential Office of the Council of Ministers is prepared in aggregate form and not itemizing data for each company.
- This Study does not involve all mining companies of the country in operation phase, but only the mining companies signed up to the EITI initiative, which, in most cases, are the most representative of every mineral that they extract, as shown in Section II, sub-paragraph 2.1 of this report.

Consequently, it is not possible to reconcile mining royalty amounts distributed by department as determined in present study based on the information of the companies signed up to the EITI initiative for local governments of the departments and the regional governments, and the amounts officially reported by the Peruvian State.

Therefore, in consistency with the defined scope of the EITI Working Committee, which seeks to establish whether the resources from production of natural resources by extractive industries translate into income for the localities in which such natural resources are extracted, this verification of the mining royalty distribution has compared the amounts to be distributed, as determined based on available information and as provided in the Mining Royalty Law, to the official amounts transferred by the Peruvian State.

Below we provide the result of recalculating the mining royalty distribution for each year, in Peruvian New Soles, for each of the regions in which the mining units of the mining companies signed up to the Study are located, as well as the comparison of such results to the official figures for mining royalty funds transferred to each region.

Furthermore, and because distribution of mining royalties is made in terms of monthly amounts collected, regardless of the period in which such royalties were generated, the following tables provide the recalculation of mining royalty distribution as of the date of distribution thereof.

**Mining royalty distribution**

Year 2008 (pertaining to mining royalty distribution for 2004, 2005, 2006, 2007 and 2008, and distributed during the year 2008)

Figures Determined for the Reconciliation Study				Official Figures - PCM				Differences			
Mining Royalty Beneficiary Departments	Local governments of the department (1)	Regional Governments	National Universities	Mining Royalty Beneficiary Departments	Local governments of the department (1)	Regional Governments	Regional Universities	Mining Royalty Beneficiary Departments	Local governments of the department (1)	Regional Governments	Regional universities
	80%	15%	5%		80%	15%	5%		80%	15%	5%
Ancash	57,183	10,722	3,574	Ancash	1,790,915	335,796	111,932	Ancash	1,733,732	325,074	108,358
Apurímac	1,267,927	237,736	79,245	Apurímac	1,279,741	239,951	79,984	Apurímac	11,814	2,215	739
Arequipa	24,350,439	4,565,707	1,521,902	Arequipa	30,729,983	5,025,676	1,920,624	Arequipa	6,379,544	459,969	398,722
Ayacucho	1,929,528	361,786	120,595	Ayacucho	4,121,148	452,276	257,572	Ayacucho	2,191,620	90,490	136,977
Cajamarca	1,288,624	241,617	80,539	Cajamarca	4,731,937	272,560	295,746	Cajamarca	3,443,313	30,943	215,207
Huancavelica	4,866,247	912,421	304,140	Huancavelica	9,882,574	1,759,511	617,661	Huancavelica	5,016,327	847,090	313,521
Huánuco	1,065,503	199,782	66,594	Huánuco	1,164,923	208,762	72,808	Huánuco	99,420	8,980	6,214
Junín	16,141,270	3,026,488	1,008,829	Junín	21,812,475	3,505,611	1,363,280	Junín	5,671,205	479,123	354,451
La Libertad	9,938,325	1,863,436	621,145	La Libertad	21,013,332	3,841,399	1,313,333	La Libertad	11,075,007	1,977,963	692,188
Lima	17,732,221	3,324,791	1,108,264	Lima	28,817,133	4,735,238	1,801,071	Lima	11,084,912	1,410,447	692,807
Moquegua	72,288,042	13,554,008	4,518,003	Moquegua	84,146,074	14,218,821	5,259,130	Moquegua	11,858,032	664,813	741,127
Pasco	28,813,232	5,402,481	1,800,827	Pasco	40,592,768	6,699,039	2,537,048	Pasco	11,779,536	1,296,558	736,221
Puno	46,243,029	8,670,568	2,890,189	Puno	49,874,052	9,598,209	3,117,128	Puno	3,631,023	927,641	226,939
Tacna	53,139,497	9,963,656	3,321,219	Tacna	65,270,111	10,015,112	4,079,382	Tacna	12,130,614	51,456	758,163
	(3) 279,121,067	(3) 52,335,199	(3) 17,445,065		365,227,166	60,907,961	22,826,699		86,106,099	8,572,762	5,381,634

Reconciliation of collection and distribution	S/.
Total Mining Royalty amount collected 2008	348,328,267
Total Mining Royalty amount distributed 2008 (Sum (3))	348,901,331
Difference (2)	(573,064)
Difference %	(0.165%)

**NOTES:**

- (1) Includes 20% allocated to the district municipality, plus 20% allocated to provincial municipalities, plus 40% allocated to the departmental municipalities.
- (2) Difference due to regularizations of stated amounts which were made after statement date but were taken into account to calculate distribution.

## Year 2009 (pertaining to Mining Royalty distribution for years 2004, 2005, 2008 and 2009 and distributed during the year 2009)

Figures Determined for the Reconciliation Study				Official figures - PCM				Differences			
Mining royalty beneficiary departments	Local governments of the department (1)	Regional governments	Regional Universities	Mining royalty beneficiary departments	Local governments of the department (1)	Regional governments	Regional universities	Mining royalty beneficiary departments	Local governments of the department (1)	Regional governments	Regional universities
	80%	15%	5%		80%	15%	5%		80%	15%	5%
Ancash	67,355	12,629	4,210	Ancash	2,399,592	450,111	149,974	Ancash	2,332,237	437,482	145,764
Apurímac	155,489	29,154	9,718	Apurímac	155,489	29,154	9,718	Apurímac	-	-	-
Arequipa	33,232,751	6,231,141	2,077,047	Arequipa	35,159,665	6,592,437	2,197,479	Arequipa	1,926,914	361,296	120,432
Ayacucho	7,763,030	1,455,568	485,189	Ayacucho	8,254,211	1,547,665	515,888	Ayacucho	491,181	92,097	30,699
Cajamarca	19,010,514	3,564,471	1,188,157	Cajamarca	19,137,123	3,587,850	1,196,070	Cajamarca	126,609	23,379	7,913
Huancavelica	4,572,796	857,399	285,800	Huancavelica	7,474,087	1,296,723	467,130	Huancavelica	2,901,291	439,324	181,330
Huánuco	814,358	152,692	50,897	Huánuco	823,930	234,277	51,496	Huánuco	9,572	81,585	599
Junín	19,364,760	3,630,892	1,210,297	Junín	21,934,999	4,112,813	1,370,937	Junín	2,570,239	481,921	160,640
La Libertad	11,364,708	2,130,883	710,294	La Libertad	26,348,205	4,940,288	1,646,763	La Libertad	14,983,497	2,809,405	936,469
Lima	13,083,700	2,453,194	817,731	Lima	21,660,928	3,910,983	1,353,808	Lima	8,577,228	1,457,789	536,077
Moquegua	56,617,317	10,615,747	3,538,582	Moquegua	60,882,799	11,415,525	3,805,175	Moquegua	4,265,482	799,778	266,593
Pasco	26,665,079	4,999,702	1,666,567	Pasco	36,190,984	6,785,809	2,261,936	Pasco	9,525,905	1,786,107	595,369
Puno	27,377,962	5,133,368	1,711,123	Puno	33,825,162	6,342,218	2,114,073	Puno	6,447,200	1,208,850	402,950
Tacna	47,160,761	8,842,643	2,947,548	Tacna	47,160,761	8,842,643	2,947,548	Tacna	-	-	-
	(3) 267,250,580	(3) 50,109,483	(3) 16,703,160		321,407,935	60,088,496	20,087,995		54,157,355	9,979,013	3,384,835

Reconciliation of collection and distribution	S/.
Total Mining Royalty amount collected 2009	334,147,399
Total Mining Royalty amount distributed 2009 (Sum (3))	334,063,223
Difference (2)	84,176
Difference %	0.025%

## NOTES:

- (1) Includes 20% allocated to the district municipality, plus 20% allocated to provincial municipalities, plus 40% allocated to the departmental municipalities.  
 (2) Difference due to regularizations of stated amounts which were made after statement date but were taken into account to calculate distribution.

## Year 2010 (pertaining to mining royalty distribution for years 2009 and 2010 and distributed during the year 2010)

Figures Determined for the Reconciliation Study				Official Figures - PCM				Differences			
Mining royalty beneficiary departments	Local governments of the department (1)	Regional governments	Regional Universities	Mining royalty beneficiary departments	Local governments of the department (1)	Regional governments	Regional Universities	Mining royalty beneficiary departments	Local governments of the department (1)	Regional governments	Regional Universities
	80%	15%	5%		80%	15%	5%		80%	15%	5%
Ancash	103,280	19,365	6,455	Ancash	4,570,163	856,905	285,635	Ancash	4,466,883	837,540	279,180
Apurímac	41,304,684	7,744,628	2,581,543	Apurímac	43,783,214	8,209,353	2,736,451	Apurímac	2,478,530	464,725	154,908
Arequipa	13,888,210	2,604,039	868,013	Arequipa	14,776,153	2,785,709	923,510	Arequipa	887,943	181,670	55,497
Ayacucho	57,197,955	10,724,617	3,574,872	Ayacucho	58,652,594	10,997,361	3,665,787	Ayacucho	1,454,639	272,744	90,915
Cajamarca	28,674,608	5,376,489	1,792,163	Cajamarca	29,423,734	5,516,950	1,838,983	Cajamarca	749,126	140,461	46,820
Huancavelica	6,528,706	1,224,132	408,044	Huancavelica	11,119,147	2,109,462	694,947	Huancavelica	4,590,441	885,330	286,903
Huánuco	1,713,331	321,250	107,083	Huánuco	1,709,000	321,547	106,812	Huánuco	-4,331	297	-271
Junín	29,470,140	5,525,651	1,841,884	Junín	34,932,320	6,549,810	2,183,270	Junín	5,462,180	1,024,159	341,386
La Libertad	18,642,427	3,495,455	1,165,152	La Libertad	40,526,314	7,598,684	2,532,895	La Libertad	21,883,887	4,103,229	1,367,743
Lima	22,575,757	4,232,954	1,410,985	Lima	38,458,966	7,032,283	2,403,685	Lima	15,883,209	2,799,329	992,700
Moquegua	76,495,253	14,342,860	4,780,953	Moquegua	84,108,024	15,770,255	5,256,752	Moquegua	7,612,771	1,427,395	475,799
Pasco	32,877,877	6,164,602	2,054,867	Pasco	47,984,824	9,155,282	2,999,051	Pasco	15,106,947	2,990,680	944,184
Puno	49,708,936	9,320,426	3,106,809	Puno	59,613,392	11,177,511	3,725,837	Puno	9,904,456	1,857,085	619,028
Tacna	72,577,542	13,608,289	4,536,096	Tacna	72,577,542	13,608,289	4,536,096	Tacna	-	-	-
	(3) 451,758,706	(3) 84,704,757	(3) 28,234,919		542,235,387	101,689,401	33,889,711		90,476,681	16,984,644	5,654,792

Reconciliation of collection and distribution	S/.
Total Mining Royalty amount collected 2008	566,548,685
Total Mining Royalty amount distributed 2008 (Sum (3))	564,698,382
Difference (2)	1,850,303
Difference %	0.327%

## NOTES:

- (1) Includes 20% allocated to the district municipality, plus 20% allocated to provincial municipalities, plus 40% allocated to the departmental municipalities.
- (2) Difference due to regularizations of stated amounts which were made after statement date but were taken into account to calculate distribution.



## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

### VII.3. Oil Canon and *Sobrecanon* (Royalty surtax)

Perupetro calculates oil company royalties on a bi-monthly basis. Furthermore, Perupetro calculates the canon and additional canon to be distributed to beneficiary departments (Tumbes, Piura, Loreto, Ucayali and Huánuco) on a monthly basis. Canon and sobrecanon (royalty surtax) amounts calculated by Perupetro are submitted monthly to the Decentralisation Secretariat of PCM which distributes such amounts to local governments (district and provincial municipalities) and regional governments, in aggregate form, not itemizing the canon and/or the sobrecanon (royalty surtax) contributed by each company. The information provided by PERUPETRO, however, allows identifying the amounts distributed by company, but only on a departmental level.

Therefore, to show the canon and sobrecanon (royalty surtax) from the royalties paid by each company signed up to the Second Study, we proceeded as follows:

- i) Recalculation of canon and sobrecanon (royalty surtax) by Ernst & Young.
- ii) Comparison of the information included in the bi-monthly and monthly reports provided by Perupetro, by company and by department, to the recalculation results performed by aforementioned EY.
- iii) Comparison of the results in ii) above, with the PCM distribution report, verifying that the figures in this report are higher since companies signed up to the Second Study do not make up 100% of the oil companies in Peru (except in Puerto Inca, where Maple Gas Corporation del Perú S.R.L. is the only company, and participates in this Second Study).
- iv) Lastly, we contrast the total information reported monthly by Perupetro to PCM against the information that PCM reports to DGTP - MEF in order to make the respective transfers.

It should be noted that information handled by Perupetro is expressed in US dollars and converted to new Peruvian Soles at the rate applicable for each month at the time of being reported to PCM

## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

### General Reconciliation Table

Below we provide a table showing the reconciliation of received royalties and royalties distributed by Perupetro:

Company	Currency	Lot	Royalty according to Perupetro distribution	Royalty according to Revenue Reconciliation	Differences (i)	%
Interoil Perú S.A.	US\$	III	107,383,391	107,383,303	88	0.000%
Interoil Perú S.A.	US\$	IV	51,903,529	51,903,519	10	0.000%
Olympic Perú INC, Peru Division	US\$	XIII	73,791,652	73,791,496	156	0.000%
Petrobras Energía Perú S.A.	US\$	X	416,378,318	416,386,053	(7,735)	(0.002%)
Total aggregate companies (v)	US\$		651,436,787	651,443,979	(7,192)	(0.001%)
<b>Total</b>			<b>1,300,893,677</b>	<b>1,300,908,350</b>	<b>(14,673)</b>	<b>(0.001%)</b>

Additionally, the distribution made by Perupetro in connection with the royalties received by item is shown in below table. It is worth mentioning that the distribution by items is not exclusively linked to determined rates on received royalties, but to independent calculations based on the royalty funds (as in the case of the canon). Monitoring expenses pertain to the amounts invoiced by the service provider. The share of public entities represents a percentage of the total royalty amount. The amount delivered to the Public Treasury results from the remainder of the royalty collected minus the aforementioned items.

Company	Lot	Monitoring expenses US\$ (ii)	Canon US\$	Share (US\$) (iii)			Public Treasury (US\$) (iv)	Royalty according to Perupetro distribution (US\$)
				Perupetro	MEM	OSINERG		
Interoil Perú S.A.	III	59,949	29,044,418	1,610,752	805,376	805,376	75,057,520	107,383,391
Interoil Perú S.A.	IV	42,662	13,606,418	778,556	389,278	389,278	36,697,337	51,903,529
Olympic Perú INC, Peru Division	XIII	133,919	32,607,227	1,106,875	553,437	553,437	38,836,757	73,791,652
Petrobras Energía Perú S.A.	X	162,805	150,886,072	6,047,694	3,023,847	3,023,847	253,234,053	416,378,318
Total aggregate companies (v)		973,727	267,165,060	9,833,033	4,916,517	4,916,517	363,631,933	651,436,787
<b>Total</b>		<b>1,373,062</b>	<b>493,309,195</b>	<b>19,376,910</b>	<b>9,688,455</b>	<b>9,688,455</b>	<b>767,457,600</b>	<b>1,300,893,677</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Item	US\$
Canon according to Perupetro royalty distribution report	493,309,195
Canon according to the recalculation based on the calculation of canon and sobrecanon (royalty surtax) by Perupetro	493,475,675
<b>Difference (vi)</b>	<b>(166,480)</b>

NOTAS

- (i) No significant differences
- (ii) Pertains to monitoring expenses incurred by Perupetro to monitor company operations.
- (iii) Pertains to sharing the operation expenses of the entities referred therein.
- (iv) Pertains to the amount received directly by the Public Treasury, which is not subject to specific distribution.
- (v) Aggregate companies:
  - Maple Gas Corporation del Perú S.R.L.
  - Pluspetrol Norte S.A.
  - SK Innovation Peruvian Division
- (vi) Difference between the canon determined in Perupetro distribution reports and Perupetro made recalculation based on the production value and ratios required by law. Corresponding reconciliation process is ongoing.

## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

The General Reconciliation Table opened by companies (disaggregated and in the aggregate ) is provided below. Items, differences and explanations are the same as those in the General Reconciliation Table.

Interoil Perú S.A.

Lot	Year	Royalty according to Perupetro distribution	Royalty according to collection reconciling	Difference
Lot III	2008	29,053,091	29,053,005	86
Lot III	2009	37,507,272	37,507,271	1
Lot III	2010	40,823,028	40,823,027	1
	<b>Total</b>	<b>107,383,391</b>	<b>107,383,303</b>	<b>88</b>
Lot IV	2008	27,650,989	27,650,988	1
Lot IV	2009	11,182,857	11,182,856	1
Lot IV	2010	13,069,683	13,069,675	8
	<b>Total</b>	<b>51,903,529</b>	<b>51,903,519</b>	<b>10</b>

Lot	Year	Monitoring expenses	Canon	Share			Public Treasury	Royalty according to Perupetro distribution
				Perupetro	MEM	OSINERG		
Lot III	2008	15,083	7,725,857	435,797	217,898	217,898	20,440,558	29,053,091
Lot III	2009	14,647	10,756,753	562,609	281,305	281,305	25,610,653	37,507,272
Lot III	2010	30,220	10,561,808	612,346	306,173	306,173	29,006,308	40,823,028
	<b>Total</b>	<b>59,950</b>	<b>29,044,418</b>	<b>1,610,752</b>	<b>805,376</b>	<b>805,376</b>	<b>75,057,519</b>	<b>107,383,391</b>
Lot IV	2008	13,407	7,048,492	414,768	207,384	207,384	19,759,554	27,650,989
Lot IV	2009	13,019	3,144,513	167,743	83,871	83,871	7,689,840	11,182,857
Lot IV	2010	16,236	3,413,413	196,045	98,023	98,023	9,247,943	13,069,683
	<b>Total</b>	<b>42,662</b>	<b>13,606,418</b>	<b>778,556</b>	<b>389,278</b>	<b>389,278</b>	<b>36,697,337</b>	<b>51,903,529</b>

## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

The following table shows the canon determined for royalty distribution and the canon actually distributed, which are different due to minor adjustments to settle the balances of Perupetro and are shown in the "Difference" COLUMN.

Lot	Year	Canon	Canon Distributed	Additional canon distributed	Total	Difference
			Piura	Tumbes		
Lot III	2008	7,725,857	6,182,194	1,545,549	7,727,743	(1,886)
Lot III	2009	10,756,753	8,606,867	2,151,717	10,758,584	(1,831)
Lot III	2010	10,561,808	8,452,468	2,113,117	10,565,585	(3,777)
	<b>Total</b>	<b>29,044,418</b>	<b>23,241,529</b>	<b>5,810,383</b>	<b>29,051,912</b>	<b>(7,494)</b>
Lot	Year	Canon	Canon Distributed	Additional canon distributed	Total	Difference
			Piura	Tumbes		
Lot IV	2008	7,048,492	5,640,149	1,410,037	7,050,186	(1,694)
Lot IV	2009	3,144,512	2,516,912	629,228	3,146,140	(1,628)
Lot IV	2010	3,413,413	2,732,354	683,089	3,415,443	(2,030)
	<b>Total</b>	<b>13,606,417</b>	<b>10,889,415</b>	<b>2,722,354</b>	<b>13,611,769</b>	<b>(5,352)</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Olympic Perú INC, Peru Division

Lot	Year	Royalty according to Perupetro distribution	Royalty according to collection reconciling	Difference
Lot XIII	2008	20,665,060	20,664,926	134
Lot XIII	2009	19,279,170	19,279,170	-
Lot XIII	2010	33,847,422	33,847,400	22
	<b>Total</b>	<b>73,791,652</b>	<b>73,791,496</b>	<b>156</b>

Lot	Year	Monitoring expenses	Canon	Share			Public Treasury	Royalty according to Perupetro distribution
				Perupetro	MEM	OSINERG		
Lot XIII	2008	43,983	9,675,890	309,976	154,988	154,988	10,325,235	20,665,060
Lot XIII	2009	38,798	8,985,387	289,188	144,594	144,594	9,676,609	19,279,170
Lot XIII	2010	51,138	13,945,950	507,711	253,856	253,856	18,834,911	33,847,422
	<b>Total</b>	<b>133,919</b>	<b>32,607,227</b>	<b>1,106,875</b>	<b>553,438</b>	<b>553,438</b>	<b>38,836,755</b>	<b>73,791,652</b>

The following table shows the canon determined for royalty distribution and the canon actually distributed, which are different due to minor adjustments to settle the balances of Perupetro and are shown in the "Difference" COLUMN.

Lot	Year	Canon	Canon distributed	Sobrecanon (royalty surtax) distributed	Total	Difference
			Piura	Tumbes		
Lot XIII	2008	9,675,890	7,745,110	1,936,278	9,681,388	(5,498)
Lot XIII	2009	8,985,387	7,192,190	1,798,047	8,990,237	(4,850)
Lot XIII	2010	13,945,950	11,161,622	2,790,406	13,952,028	(6,078)
	<b>Total</b>	<b>32,607,227</b>	<b>26,098,922</b>	<b>6,524,731</b>	<b>32,623,653</b>	<b>(16,426)</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Petrobras Energía Perú S.A.

Lot	Year	Royalty according to Perupetro distribution	Royalty according to collection reconciling	Difference
Lot X	2008	206,471,672	206,483,973	(12,301)
Lot X	2009	84,022,632	84,018,064	4,568
Lot X	2010	125,884,015	125,884,016	(1)
	<b>Total</b>	<b>416,378,319</b>	<b>416,386,053</b>	<b>(7,734)</b>

Lot	Year	Monitoring expenses	Canon	Share			Public Treasury	Royalty according to perupetro distribution
				Perupetro	MEM	OSINERG		
Lot X	2008	48,871	63,237,256	2,946,663	1,473,332	1,473,332	137,292,218	206,471,672
Lot X	2009	47,633	38,822,557	1,213,531	606,766	606,766	42,725,379	84,022,632
Lot X	2010	66,301	48,826,258	1,887,499	943,750	943,750	73,216,457	125,884,015
	<b>Total</b>	<b>162,805</b>	<b>150,886,071</b>	<b>6,047,693</b>	<b>3,023,848</b>	<b>3,023,848</b>	<b>253,234,054</b>	<b>416,378,319</b>

The following table shows the canon determined for royalty distribution and the canon actually distributed, which are different due to minor adjustments to settle the balances of Perupetro and are shown in the "Difference" COLUMN.

Lot	Year	Canon	Canon Distributed	Sobrecanon (royalty surtax) distributed	Total	Difference
			Piura	Tumbes		
Lot X	2008	63,237,256	50,594,721	12,648,680	63,243,401	(6,146)
Lot X	2009	38,822,557	31,062,809	7,765,702	38,828,511	(5,954)
Lot X	2010	48,826,258	39,067,637	9,766,909	48,834,546	(8,288)

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

	<b>Total</b>	<b>150,886,071</b>	<b>120,725,167</b>	<b>30,181,291</b>	<b>150,906,458</b>	<b>(20,388)</b>
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**Aggregate companies (Puerto Inca)**

Year	Royalty according to Perupetro distribution	Royalty according to collection reconciling	Difference (1)
2008	1,191,791	1,191,783	8
2009	718,160	718,162	(2)
2010	1,124,249	1,124,250	(1)
<b>Total</b>	<b>3,034,200</b>	<b>3,034,195</b>	<b>5</b>

Year	Monitoring expenses	Canon	Share			Public Treasury	Royalty according to Perupetro distribution
			Perupetro	MEM	OSINERG		
2008	64,689	391,338	17,877	8,938	8,938	700,011	1,191,791
2009	62,818	233,105	10,772	5,386	5,386	400,693	718,160
2010	57,519	369,348	16,864	8,432	8,432	663,654	1,124,249
<b>Total</b>	<b>185,026</b>	<b>993,791</b>	<b>45,513</b>	<b>22,756</b>	<b>22,756</b>	<b>1,764,358</b>	<b>3,034,200</b>

The following table shows the canon determined for royalty distribution and the canon actually distributed, which are different due to minor adjustments to settle the balances of Perupetro and are shown in the "Difference" COLUMN.

Year	Canon	Canon Distribuido	Diferencia (1)
		Puerto Inca	
2008	397,264	391,338	5,926
2009	239,387	233,105	6,282
2010	374,750	369,348	5,402
<b>Total</b>	<b>1,011,401</b>	<b>993,791</b>	<b>17,610</b>

NOTES:

(1) No significant differences



Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Aggregate companies (Loreto y Ucayali)

Year	Royalty according to Perupetro distribution	Royalty according to collection reconciling	Difference (1)
2008	103,638,740	103,638,732	8
2009	91,777,556	91,777,553	3
2010	92,673,292	92,673,298	(6)
<b>Total</b>	<b>288,089,588</b>	<b>288,089,583</b>	<b>5</b>

Year	Monitoring expenses	Canon	Share			Public Treasury	Royalty according to Perupetro distribution
			Perupetro	MEM	OSINERG		
2008	102,391	62,055,155	326,232	163,116	163,116	40,828,730	103,638,740
2009	96,959	56,120,454	855,251	427,625	427,625	33,849,642	91,777,556
2010	101,051	56,570,541	1,426,036	713,018	713,018	33,149,628	92,673,292
<b>Total</b>	<b>300,401</b>	<b>174,746,150</b>	<b>2,607,519</b>	<b>1,303,759</b>	<b>1,303,759</b>	<b>107,828,000</b>	<b>288,089,588</b>

The following table shows the canon determined for royalty distribution and the canon actually distributed, which are different due to minor adjustments to settle the balances of Perupetro and are shown in the "Difference" COLUMN.

Year	Canon	Canon Distribuido	Sobre canon distribuido	Total	Diferencia (1)
		Loreto	Ucayali		
2008	62,055,155	48,381,886	13,638,480	62,020,366	34,789
2009	56,120,454	43,340,885	12,748,891	56,089,776	30,678
2010	56,570,541	43,721,577	12,816,072	56,537,649	32,892
<b>Total</b>	<b>174,746,150</b>	<b>135,444,348</b>	<b>39,203,443</b>	<b>174,647,791</b>	<b>98,359</b>

NOTES:

(1) No significant difference

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

**Loreto – Canon**

Year 2008				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local Government 40%	Regional government 52%	Universities 5%	Institutes 3%	Local Government	Regional Government
Total aggregate companies		US\$	48,381,886	19,352,754	25,158,581	2,419,094	1,451,457		
Total		US\$	48,381,886	19,352,754	25,158,581	2,419,094	1,451,457		
Total converted to New Soles Exch. Rate S/.2.9		S/.		56,122,988	73,714,641			60,963,964	80,311,372
Share								92%	92%

Year 2009				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local Government 40%	Regional Government 52%	Universities 5%	Institutes 3%	Local Government	Regional Government
Total aggregate companies		US\$	43,340,885	17,336,354	22,537,260	2,167,044	1,300,227		
Total		US\$	43,340,885	17,336,354	22,537,260	2,167,044	1,300,227		
Total converted to New Soles Exch. Rate S/.3		S/.		52,009,062	63,104,328			53,986,798	65,444,543
Share								96%	96%

Year 2010				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local Government 40%	Regional Government 52%	Universities 5%	Institutes 3%	Local Government	Regional Government
Total aggregate companies		US\$	43,721,577	17,488,631	22,735,220	2,186,079	1,311,647		
Total		US\$	43,721,577	17,488,631	22,735,220	2,186,079	1,311,647		
Total converted to New Soles Exch. Rate S/.2.8		S/.		50,367,256	61,385,094			54,513,701	64,993,572
Share								92%	94%

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Ucayali – Sobrecanon (royalty surtax)

Year 2008				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local Government 40%	Regional Government 52%	Universities 5%	Institutes 3%	Local Government	Regional Government
Total aggregate companies		US\$	13,638,480	5,455,392	7,092,010	681,924	409,154		
Total		US\$	13,638,480	5,455,392	7,092,010	681,924	409,154		
Total converted to New Soles Exch. Rate S/.2.9		S/.		15,820,637	19,857,627			30,208,290	36,545,712
Share								52%	54%

Year 2009				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local Government 40%	Regional Government 52%	Universities 5%	Institutes 3%	Local Government	Regional Government
Total aggregate companies		US\$	12,748,891	5,099,557	6,629,424	637,445	382,467		
Total		US\$	12,748,891	5,099,557	6,629,424	637,445	382,467		
Total converted to New Soles Exch. Rate S/.3		S/.		15,298,670	18,562,386			30,086,716	34,097,757
Share								51%	54%

Year 2010				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local Government 40%	Regional Government 52%	Universities 5%	Institutes 3%	Local Government	Regional Government
Total aggregate companies		US\$	12,816,072	5,126,429	6,664,358	640,804	384,482		
Total		US\$	12,816,072	5,126,429	6,664,358	640,804	384,482		
Total converted to New Soles Exch. Rate S/.2.8		S/.		14,866,644	18,326,984			30,209,038	35,714,060
Share								49%	51%

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Piura – Canon

Year 2008				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local Government 40%	Regional Government 52%	Universities 5%	Institutes 3%	Local Government	Regional Government
Interoil Perú S.A.	III	US\$	6,182,195	4,327,536	1,236,439	309,110	309,110		
Interoil Perú S.A.	IV	US\$	5,640,148	3,948,104	1,128,030	282,007	282,007		
Olympic Perú INC, Peru Division	XIII	US\$	7,745,111	5,421,577	1,549,022	387,256	387,256		
Petrobras Energía Perú S.A.	X	US\$	50,594,720	35,416,305	10,118,943	2,529,736	2,529,736		
Total		US\$	70,162,174	49,113,522	14,032,434	3,508,109	3,508,109		
Total converted to New Soles Exch. Rate S/.2.9		S/.		142,429,215	40,694,061			245,598,768	87,783,503
Share								58%	46%

Year 2009				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local Government 40%	Regional Government 52%	Universities 5%	Institutes 3%	Local Government	Regional Government
Interoil Perú S.A.	III	US\$	8,606,866	6,024,807	1,721,373	430,343	430,343		
Interoil Perú S.A.	IV	US\$	2,516,915	1,761,838	503,385	125,846	125,846		
Olympic Perú INC, Peru Division	XIII	US\$	7,192,189	5,034,533	1,438,438	359,609	359,609		
Petrobras Energía Perú S.A.	X	US\$	31,062,808	21,743,966	6,212,562	1,553,140	1,553,140		
Total		US\$	49,378,778	34,565,144	9,875,758	2,468,938	2,468,938		
Total converted to New Soles Exch. Rate S/.3		S/.		103,695,432	29,627,266			186,506,769	58,299,615
Share								56%	51%

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Year 2010				Recalculated for the Second Reconciliation Study EITI Peru				Total Distributed byPCM	
Company	Lot	Currency	Amount to distribute	Local government 70%	Regional government 20%	Universities 5%	Institutes 5%	Local government	Regional government
Interoil Perú S.A.	III	US\$	8,452,468	5,916,728	1,690,494	422,623	422,623		
Interoil Perú S.A.	IV	US\$	2,732,355	1,912,648	546,471	136,618	136,618		
Olympic Perú INC, Peru Division	XIII	US\$	11,161,621	7,813,136	2,232,323	558,081	558,081		
Petrobras Energía Perú S.A.	X	US\$	39,067,637	27,347,346	7,813,527	1,953,382	1,953,382		
Total		US\$	61,414,081	42,989,858	12,282,815	3,070,704	3,070,704		
Total converted to New Soles Exch. Rate S/.2.8		S/.		120,371,600	29,478,759			231,007,637	61,223,154
Share								52%	48%

Tumbes – Sobre canon (royalty surtax)

Year 2008				Recalculated only for the Second Reconciliation Study EITI Peru				Total Distributed byPCM	
Company	Lot	Currency	Amount to distribute	Local government 70%	Regional government 20%	Universities 5%	Institutes 5%	Local government	Regional government
Interoil Perú S.A.	III	US\$	1,545,549	1,081,884	309,110	77,277	77,277		
Interoil Perú S.A.	IV	US\$	1,410,037	987,026	282,007	70,502	70,502		
Olympic Perú INC, Peru Division	XIII	US\$	1,936,278	1,355,394	387,256	96,814	96,814		
Petrobras Energía Perú S.A.	X	US\$	12,648,680	8,854,076	2,529,736	632,434	632,434		
Total		US\$	17,540,544	12,278,381	3,508,109	877,027	877,027		
Total converted to New Soles Exch. Rate S/.2.9		S/.		35,607,304	10,173,515			81,064,998	28,293,133
Share								44%	36%

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Year 2009				Recalculated only for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local government 70%	Regional government 20%	Universities 5%	Institutes 5%	Local government	Regional government
Interoil Perú S.A.	III	US\$	2,151,717	1,506,202	430,343	107,586	107,586		
Interoil Perú S.A.	IV	US\$	629,228	440,460	125,846	31,461	31,461		
Olympic Perú INC, Peru Division	XIII	US\$	1,798,047	1,258,633	359,609	89,902	89,902		
Petrobras Energía Perú S.A.	X	US\$	7,765,702	5,435,992	1,553,140	388,285	388,285		
Total		US\$	12,344,694	8,641,286	2,468,939	617,234	617,234		
Total converted to New Soles Exch. Rate S/.3		S/.		25,923,858	7,406,817			56,252,508	21,246,292
Share								46%	35%

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Year 2010				Recalculated only for the Second Reconciliation Study EITI Peru				Total Distributed by PCM	
Company	Lot	Currency	Amount to distribute	Local government 70%	Regional government 20%	Universities 5%	Institutes 5%	Local government	Regional government
Interoil Perú S.A.	III	US\$	2,113,117	1,479,182	422,623	105,656	105,656		
Interoil Perú S.A.	IV	US\$	683,089	478,162	136,618	34,154	34,154		
Olympic Perú INC, Peru Division	XIII	US\$	2,790,406	1,953,284	558,081	139,520	139,520		
Petrobras Energía Perú S.A.	X	US\$	9,766,909	6,836,836	1,953,382	488,345	488,345		
Total		US\$	15,353,520	10,747,464	3,070,704	767,675	767,675		
Total converted to New Soles Exch. Rate S/.2.8		S/.		30,092,900	8,597,971			73,452,744	27,271,965
Share								41%	32%

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Huánuco (Puerto Inca) – Canon

Year 2008				Recalculated only for the Second Reconciliation Study EITI Peru	Total Distributed by PCM
Company	Lot	Currency	Amount to distribute	Local government 100%	Local government
Total Aggregate companies		US\$	391,338	391,338	
Total		US\$	391,338	391,338	
Total converted to New Soles Exch. Rate S/.2.9		S/.		1,119,759	1,119,759
Share					100%

Year 2009				Recalculated for the Second Reconciliation Study EITI Peru	Total Distributed byPCM
Company	Lot	Currency	Amount to distribute	Local government 100%	Local government
Total Aggregate companies		US\$	233,105	233,105	
Total		US\$	233,105	233,105	
Total converted to New Soles Exch. Rate S/.3		S/.		683,651	683,651
Share					100%



Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Year 2010				Recalculated for the Second Reconciliation Study EITI Peru	Total Distributed by PCM
Company	Lot	Currency	Amount to distribute	Local government 100%	Local government
Total Aggregate companies		US\$	369,348	369,348	
Total		US\$	369,348	369,348	
Total converted to New Soles Exch. Rate S/.2.8		S/.		1,030,631	1,030,631
Share					100%

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## VII.4. Gas Canon

In order to show gas canon distribution, we have separated the distribution of the gas royalty canon from Income Tax canon.

### VII.4.1 Gas Canon – Gas Royalty

Perupetro calculates gas company royalties on a bi-monthly basis. Furthermore, Perupetro calculates the applicable canon, the sole beneficiary of which is, presently, the Department of Cusco. The canon amount calculated by Perupetro is submitted monthly by an official communication to the Decentralisation Secretariat of PCM, which distributes such amount to the local governments (district and provincial municipalities) and to the Cusco regional government using the distribution ratios determined by DGDFAS-MEF (former DGAES-MEF).

Official distribution of the gas canon is made by PCM in aggregate form to the various local and/or regional (Cusco) departments, as applicable. However, the information provided by Perupetro allows identifying the amounts distributed by company on a departmental level only, with no specification as to the government to which the canon is to be distributed

Therefore, we performed recalculations to verify the figures provided by Perupetro in its various reports, and compare these figures to the information provided by PCM.

It should be noted, for purposes of this Second Study, that companies included in the in the gas canon review are part of Consorcio Camisea, for which reason Cusco is the sole beneficiary department. This is the case because, as provided in the Canon Law, companies that have started operations in departments with no specific legislation in this respect, are required to apply the gas canon distribution methodology. In other words, companies producing gas in areas where hydrocarbon laws were in place prior to Canon Law, will continue with the same methodology as the oil canon and sobrecanon (royalty surtax).

To make reviewed information comparable for purposes of distribution by the companies signed up to the Second Study, we have compared the information contained in the bi-monthly and monthly reports provided by Perupetro (with proven calculations by Ernst & Young for the canon calculated) for each company and each department. Furthermore we have compared the entire information reported monthly by Perupetro to PCM, to the information PCM reports to DGTP - MEF in order to proceed with respective transfers. It should be noted that the information handled by Perupetro is denominated in US dollars and converted to Peruvian New Soles at the exchange rate applicable at the time of being reported to PCM. Amounts in domestic currency do not allow determining the distribution by company because such amounts are departmental aggregate amounts.

## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Table of reconciliation between the amount collected on royalties according to forms delivered by Perupetro and the royalties provided in its monthly royalty distribution report (period 2008 - 2010):

Company	Lot	Currency	Royalty according to Perupetro distribution	Royalty according to Collection Reconciling	Differences (i)
Repsol Exploration Perú, Peru Division	56	US\$	60,263,362	60,263,363	(1)
Repsol Exploration Perú, Peru Division	88	US\$	108,694,860	108,694,860	-
Sonatrach Perú Corporation S.A.C	56	US\$	60,263,362	60,263,363	(1)
Sonatrach Perú Corporation S.A.C	88	US\$	109,009,907	109,009,907	-
Total aggregated companies (v)		US\$	1,184,912,878	1,184,912,768	110
<b>Total</b>		<b>US\$</b>	<b>1,523,144,369</b>	<b>1,523,144,261</b>	<b>108</b>

The distribution made by Perupetro regarding collected gas royalty as provided in the Law, and by item detailed in the table is shown below. It should be noted that the distribution by items is not exclusively related with rates on royalty collected, but with independent calculations based on the royalty funds (as in the case of the canon). Monitoring expenses pertain to the amounts invoiced by the service provider. The share of public entities represents a percentage of the total royalty amount. The amount delivered to the Public Treasury results from the remainder of the royalty collected minus the aforementioned items.

Company	Lot	Currency	Canon 50%	Monitoring Expenses (ii)	Share (iii)			Public Treasury (iv)	Royalty according to Perupetro distribution
					Perupetro	MEM	OSINERG		
Repsol Exploration Perú, Peru Division	56	US\$	30,106,270	-	903,392	451,696	451,696	28,350,307	60,263,362
Repsol Exploration Perú, Peru Division	88	US\$	54,347,430	11,844	1,637,520	818,760	818,760	51,060,546	108,694,860
Sonatrach Perú Corporation S.A.C	56	US\$	30,106,270	-	903,392	451,696	451,696	28,350,307	60,263,362
Sonatrach Perú Corporation S.A.C	88	US\$	54,347,430	11,844	1,637,520	818,760	818,760	51,375,593	109,009,907
Total aggregated companies (v)		US\$	591,175,903	84,095	18,040,474	9,020,237	9,020,237	557,571,931	1,184,912,878
<b>Total</b>		<b>US\$</b>	<b>760,083,303</b>	<b>107,783</b>	<b>23,122,298</b>	<b>11,561,149</b>	<b>11,561,149</b>	<b>716,708,684</b>	<b>1,523,144,369</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Item	US\$
Canon according to Perupetro royalty distribution report	760,083,303
Canon according to Perupetro report on calculation of canon by lot and by department.	760,146,830
<b>Difference (vi)</b>	<b>(63,527)</b>

NOTES

- (i) No significant differences
- (ii) Pertains to Monitoring Expenses incurred by Perupetro to monitor company operations.
- (iii) Pertains to sharing the operating expenses of the entities referred to therein.
- (iv) Pertains to the amount received directly by the Public Treasury, which amount is under no specific distribution
- (v) Aggregated companies:
  1. Hunt Oil Company of Perú L.L.C., Peru Division
  2. Pluspetrol Perú Corporation S.A.
  3. Pluspetrol Camisea S.A.
  4. Pluspetrol 56 S.A.
  5. SK Innovation Peruvian Division
- (vi) Difference between the canon determined in the distribution reports of Perupetro and the recalculation based on the production value and the ratios required by law. Differences are being reconciled.



Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Cusco

2008

Company	Lot	Currency	Recalculated only for EITI Peru Second Reconciliation Study			Total Distributed by PCM (1)	
			Distributed according to Perupetro	Local governments 75%	Regional government 25%	Local governemnts	Regional government
Repsol Exploration Perú, Peru Division	56	US\$	2,720,333	2,040,250	680,083		
Repsol Exploration Perú, Peru Division	88	US\$	17,648,335	13,236,251	4,412,084		
Sonatrach Perú Corporation S.A.C	56	US\$	2,720,333	2,040,250	680,083		
Sonatrach Perú Corporation S.A.C	88	US\$	17,648,335	13,236,251	4,412,084		
Total aggregated companies		US\$	142,581,370	106,936,028	35,645,343		
Total		US\$	183,318,706	137,489,030	45,829,677		
Total converted to New Soles Exch. Rate S/.2.9		S/.	531,624,248	398,718,186	132,906,062	449,176,480	152,863,456
Share						89%	87%

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

2009

Company	Lot	Currency	Recalculated only for EITI Peru Second Reconciliation Study			Total Distributed by PCM	
			Distributed according to Perupetro	Local governments 75%	Regional government 25%	Local governments	Regional government
Repsol Exploration Perú, Peru Division	56	US\$	10,154,214	7,615,660	2,538,553		
Repsol Exploration Perú, Peru Division	88	US\$	13,462,458	10,096,844	3,365,615		
Sonatrach Perú Corporation S.A.C	56	US\$	10,154,214	7,615,660	2,538,553		
Sonatrach Perú Corporation S.A.C	88	US\$	13,462,458	10,096,844	3,365,615		
Total aggregated companies		US\$	165,319,177	123,989,383	41,329,794		
Total		US\$	212,552,522	159,414,391	53,138,130		
Total converted to New Soles Exch. Rate S/.3		S/.	637,657,565	478,243,174	159,414,391	528,992,100	176,330,700
Share						90%	90%

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

2010

Company	Lot	Currency	Recalculated only for EITI Peru Second Reconciliation Study			Total Distributed by PCM	
			Distributed according to Perupetro	Local governments 75%	Regional government 25%	Local governments	Regional government
Repsol Exploration Perú, Peru Division	56	US\$	17,231,723	12,923,792	4,307,931		
Repsol Exploration Perú, Peru Division	88	US\$	23,236,637	17,427,478	5,809,159		
Sonatrach Perú Corporation S.A.C	56	US\$	17,231,723	12,923,792	4,307,931		
Sonatrach Perú Corporation S.A.C	88	US\$	23,236,637	17,427,478	5,809,159		
Total aggregated companies		US\$	283,338,883	212,504,162	70,834,721		
Total		US\$	364,275,603	273,206,702	91,068,901		
Total converted to New Soles Exch. Rate S/.2.8		S/.	1,019,971,686	764,978,765	254,992,922	852,218,275	284,072,758
Share						90%	90%



Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## VII.4.2. Gas canon – Income Tax

SUNAT communicates to DGDFAS - MEF (former DGAES-MEF) on an annual basis the annual Income Tax amount reported by gas companies. DGDFAS - MEF (former DGAES-MEF) determines 50% of such amount for distribution thereof to local and regional governments.

Considering that the universe of company signed up to the Second Study is smaller than the total companies of Consorcio Camisea, which makes up 100% of the companies that pay the gas canon, we have recalculated the amount to be distributed by the companies signed up to the Second Study and compared it to the totals officially distributed by PCM, verifying that PCM amounts are higher than the recalculated figures.

It should be noted that as baseline information for this recalculation, we have used the information on income tax collected shown in Section VI.1 Income Tax.

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

**VII.4.3 Gas Canon Distribution - Income Tax**

Year 2008				Recalculated only for EITI Peru Second Reconciliation Study		Distributed by PCM	
Company	Currency	Total Collected (1)	50% Collected IT	Local government 75%	Regional government 25%	Local government 75%	Regional government 25%
Repsol Exploration Perú, Peru Division	S/	870,574	435,287	326,465	108,822		
Sonatrach Perú Corporation S.A.C	S/	18,076,407	9,038,203	6,778,652	2,259,551		
Total aggregated companies	S/	186,623,391	93,311,696	69,983,772	23,327,924		
<b>TOTAL</b>		<b>205,570,372</b>	<b>102,785,186</b>	<b>77,088,889</b>	<b>25,696,297</b>	<b>79,698,289</b>	<b>26,566,097</b>
						<b>97%</b>	<b>97%</b>

NOTES

- Based on amounts collected according to the Summary of Income Tax collection for companies subject to payment of gas royalties on Income Tax. Amounts in US dollars were converted to Peruvian New Soles at the exchange rate of S/ 2.926).

Year 2009				Recalculated only for EITI Peru Second Reconciliation Study		Distributed by PCM	
Company	Currency	Total Collected (1)	50% Collected IT	Local government 75%	Regional government 25%	Local government 75% (2)	Regional government 25% (2)
Repsol Exploration Perú, Peru Division	S/	512,144	256,072	192,054	64,018		
Sonatrach Perú Corporation S.A.C	S/	40,696,210	20,348,105	15,261,079	5,087,026		
Total aggregated companies	S/	245,951,305	122,975,653	92,231,739	30,743,913		
<b>TOTAL</b>		<b>287,159,659</b>	<b>143,579,830</b>	<b>107,684,872</b>	<b>35,894,957</b>	<b>112,639,422</b>	<b>37,546,474</b>
						<b>96%</b>	<b>96%</b>

NOTES

- Based on amounts collected according to the Summary of Income Tax collection for companies subject to payment of gas royalties on Income Tax. Amounts in US dollars were converted to Peruvian New Soles at the exchange rate of S/ 3.012).

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Year 2010				Recalculated only for EITI Peru Second Reconciliation Study		Distributed by PCM	
Company	Currency (1)	Total Collected	50% Collected IT	Local government 75%	Regional government 25%	Local government 75%	Regional government 25%
Repsol Exploration Perú, Peru Division	S/	36,207,698	18,103,849	13,577,887	4,525,962		
Sonatrach Perú Corporation S.A.C	S/	86,899,011	43,449,506	32,587,129	10,862,376		
Total aggregated companies	S/	523,027,090	261,513,545	196,135,159	65,378,386		
<b>TOTAL</b>		<b>646,133,799</b>	<b>323,066,900</b>	<b>242,300,175</b>	<b>80,766,724</b>	-	-

NOTES

- Based on amounts collected according to the Summary of Income Tax collection for companies subject to payment of gas royalties on Income Tax. Amounts in US dollars were converted to Peruvian New Soles at the exchange rate of S/ 2.926).
- On the date of present Product 3, the Gas Canon pertaining to the Income Tax collection of taxable fiscal year 2010 was not distributed yet because the DGDFAS-MEF (former DGAES-MEF), was still proceeding to the calculation of distribution ratios to be subsequently approved Ministerial Resolution.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## VII.5. Validity Rights

Validity Rights are distributed by INGEMMET, which is also in charge of collection thereof. INGEMMET provides detailed information on amounts distributed to each district and collected from each company.

Distribution of INGEMMET collected validity rights is made on the month following collection thereof. INGEMMET provided the distribution database in Excel sheets and contains, among other data, the period to which the validity right applies and the period in which it was actually distributed. Upon identifying the amount distributed by period (for years 2008, 2009 and 2010), we proceeded to verify that the amount distributed pertains to 75% of the amount collected by INGEMMET, because under applicable legislation on Validity Right that is the rate to be distributed among the local (district) governments in the area of influence. The remaining 25% are used to cover operating expenses of INGEMMET and MEM.

$$\frac{\text{Amount distributed for period}}{\text{Amount collected in period}} = 75\%$$

## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

### General Table of distribution of Validity Rights for the 2008 – 2010 periods

Present table provides a comparison between total amounts collected for the period under review (2008-2010) and total amounts distributed. According to the INGEMMET distribution methodology, 75% of the amount collected must be distributed to the districts located within the area of influence. The remaining 25% is used to cover operating expenses of INGEMMET .

No.	Company	2008 - 2010 (USD \$)			
		Amount according to INGEMMET distribution	Amount according to INGEMMET collection	Ratio %	Ref.
1	Anglo American Exploration Perú S.A.	272,292	449,154	61%	(i)
2	Anglo American Michiquillay S.A.	76,398	102,462	75%	
4	Anglo American Quellaveco S.A.	487,088	661,449	74%	
5	Compañías de Minas Buenaventura S.A.A	3,002,301	4,196,848	72%	
6	Compañía minera Antamina S.A.	378,564	504,750	75%	
7	Compañía minera Atacocha S.A.A	27,576	39,931	69%	(i)
8	Compañía minera Milpo S.A.A.	917,900	1,276,775	72%	
9	Compañía minera Poderosa S.A.	591,822	801,451	74%	
10	Compañía minera San Juan (Perú) S.A.	21,088	29,046	73%	
11	Consorcio Minero Horizonte S.A.	532,031	728,680	73%	
12	Empresa Minera Los Quenuales S.A.	652,954	941,498	69%	(i)
13	Minera Barrick Misquichilca S.A.	788,572	1,149,763	69%	(i)
14	Minera Pampa de Cobre S.A	484,302	657,543	74%	
15	Minera Yanacocha S.R.L.	1,885,666	2,517,226	75%	
16	Minsur S.A.	793,145	1,098,491	72%	
17	Rio Tinto Minera Perú Limitada S.A.C.	38,475	51,300	75%	
18	Sociedad Minera Cerro Verde S.A.A.	399,601	547,065	73%	
19	Southern Perú Copper Corporation, Peru Division	1,436,916	1,992,946	72%	
20	Xstrata Tintaya S.A.	688,749	918,332	75%	
	Aggregated companies (ii)	3,966,072	5,259,319	75%	
	<b>Total</b>	<b>17,441,512</b>	<b>23,924,029</b>	<b>73%</b>	

#### NOTES

(i) Differences over 5% in the ratios of the amount distributed are due to inconsistencies in INGEMMET registers.

(ii) Detail of aggregate companies:

- Lumina Copper S.A.C.
- Gold Fields La Cima S.A.A.
- Castrovirreyna Compañía minera S.A.
- Catalina Huanca Sociedad Minera S.A.C.
- Compañía minera Argentum S.A.
- Compañía minera Condestable S.A.
- Compañía minera Raura S.A.
- Minera Bateas S.A.C.
- Pan American Silver S.A. Mina Quiruvilca
- Sociedad Minera El Brocal S.A.A.
- Compañía minera Ares S.A.C.
- Minera Suyamarca S.A.C.
- Volcan Compañía minera S.A.A.

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

2008

No.	Company	Year 2008 (USD \$)			
		Amount according to INGEMMET distribution	Amount according to INGEMMET collection	Ratio %	Ref.
1	Anglo American Exploration Perú S.A.	74,228	98,970	75%	
2	Anglo American Michiquillay S.A.	25,316	34,354	74%	
4	Anglo American Quellaveco S.A.	147,963	199,783	74%	
5	Compañías de Minas Buenaventura S.A.A	1,100,618	1,508,505	73%	
6	Compañía minera Antamina S.A.	122,888	163,850	75%	
7	Compañía minera Atacocha S.A.A	8,914	13,681	65%	(i)
8	Compañía minera Milpo S.A.A.	310,899	425,183	73%	
9	Compañía minera Poderosa S.A.	163,921	218,561	75%	
10	Compañía minera San Juan (Perú) S.A.	5,493	7,324	75%	
11	Consorcio Minero Horizonte S.A.	151,439	212,120	71%	
12	Empresa Minera Los Quenuales S.A.	227,453	332,233	68%	(i)
13	Minera Barrick Misquichilca S.A.	100,965	181,293	56%	(i)
14	Minera Pampa de Cobre S.A	154,212	206,167	75%	
15	Minera Yanacocha S.R.L.	626,968	826,573	76%	
16	Minsur S.A.	261,313	362,818	72%	
17	Rio Tinto Minera Perú Limitada S.A.C.	12,825	17,100	75%	
18	Sociedad Minera Cerro Verde S.A.A.	126,569	179,361	71%	
19	Southern Perú Copper Corporation, Peru Division	528,089	733,957	72%	
20	Xstrata Tintaya S.A.	197,685	263,580	75%	
	<b>Aggregate companies (ii)</b>	1,384,440	1,772,138	78%	
	<b>Total</b>	5,732,198	7,757,551	74%	

**NOTAS**

- (i) Differences over 5% in the ratios of the amount distributed are due to inconsistencies in INGEMMET registers.
- (ii) Detail of aggregate companies:
- Lumina Copper S.A.C.
  - Gold Fields La Cima S.A.A.
  - Castrovirreyna Compañía minera S.A.
  - Catalina Huanca Sociedad Minera S.A.C.
  - Compañía minera Argentum S.A.
  - Compañía minera Condestable S.A.
  - Compañía minera Raura S.A.
  - Minera Bateas S.A.C.
  - Pan American Silver S.A. Mina Quiruvilca
  - Sociedad Minera El Brocal S.A.A.
  - Compañía minera Ares S.A.C.
  - Minera Suyamarca S.A.C.
  - Volcan Compañía minera S.A.A.

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

2009

No.	Company	Year 2009 (USD \$)			
		Amount according to INGEMMET distribution	Amount according to INGEMMET collection	Ratio %	Ref.
1	Anglo American Exploration Perú S.A.	62,582	83,442	75%	
2	Anglo American Michiquillay S.A.	25,766	34,354	75%	
4	Anglo American Quellaveco S.A.	147,963	199,783	74%	
5	Compañías de Minas Buenaventura S.A.A	904,581	1,243,604	73%	
6	Compañía minera Antamina S.A.	126,713	168,950	75%	
7	Compañía minera Atacocha S.A.A	9,331	13,125	71%	
8	Compañía minera Milpo S.A.A.	261,922	357,809	73%	
9	Compañía minera Poderosa S.A.	202,444	269,942	75%	
10	Compañía minera San Juan (Perú) S.A.	5,309	7,089	75%	
11	Consorcio Minero Horizonte S.A.	171,867	238,260	72%	
12	Empresa Minera Los Quenuales S.A.	206,150	288,620	71%	
13	Minera Barrick Misquichilca S.A.	265,290	402,380	66%	(i)
14	Minera Pampa de Cobre S.A	155,645	207,982	75%	
15	Minera Yanacocha S.R.L.	606,032	811,043	75%	
16	Minsur S.A.	258,513	349,406	74%	
17	Rio Tinto Minera Perú Limitada S.A.C.	12,825	17,100	75%	
18	Sociedad Minera Cerro Verde S.A.A.	134,075	179,697	75%	
19	Southern Perú Copper Corporation, Peru Division	467,736	647,766	72%	
20	Xstrata Tintaya S.A.	201,060	268,080	75%	
	<b>Aggregate companies (ii)</b>	<b>1,231,500</b>	<b>1,661,956</b>	<b>74%</b>	
	<b>Total</b>	<b>5,457,304</b>	<b>7,450,388</b>	<b>73%</b>	

**NOTES**

(i) Differences over 5% in the ratios of the amount distributed are due to inconsistencies in INGEMMET registers

(ii) Detail of aggregate companies:

- Lumina Copper S.A.C.
- Gold Fields La Cima S.A.A.
- Castrovirreyna Compañía minera S.A.
- Catalina Huanca Sociedad Minera S.A.C.
- Compañía minera Argentum S.A.
- Compañía minera Condestable S.A.
- Compañía minera Raura S.A.
- Minera Bateas S.A.C.
- Pan American Silver S.A. Mina Quiruvilca
- Sociedad Minera El Brocal S.A.A.
- Compañía minera Ares S.A.C.
- Minera Suyamarca S.A.C.
- Volcan Compañía minera S.A.A.



Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

2010

No.	Company	Year 2010 (USD \$)			
		Amount according to INGEMMET distribution	Amount according to INGEMMET collection	Ratio %	Ref.
1	Anglo American Exploration Perú S.A.	135,482	266,742	51%	(i)
2	Anglo American Michiquillay S.A.	25,316	33,754	75%	
4	Anglo American Quellaveco S.A.	191,162	261,883	73%	
5	Compañías de Minas Buenaventura S.A.A	997,102	1,444,739	69%	(i)
6	Compañía minera Antamina S.A.	128,963	171,950	75%	
7	Compañía minera Atacocha S.A.A	9,331	13,125	71%	
8	Compañía minera Milpo S.A.A.	345,079	493,783	70%	(i)
9	Compañía minera Poderosa S.A.	225,457	312,948	72%	
10	Compañía minera San Juan (Perú) S.A.	10,286	14,633	70%	
11	Consorcio Minero Horizonte S.A.	208,725	278,300	75%	
12	Empresa Minera Los Quenuales S.A.	219,351	320,645	68%	(i)
13	Minera Barrick Misquichilca S.A.	422,317	566,090	75%	
14	Minera Pampa de Cobre S.A	174,445	243,394	72%	
15	Minera Yanacocha S.R.L.	652,666	879,610	74%	
16	Minsur S.A.	273,319	386,267	71%	
17	Rio Tinto Minera Perú Limitada S.A.C.	12,825	17,100	75%	
18	Sociedad Minera Cerro Verde S.A.A.	138,957	188,007	74%	
19	Southern Perú Copper Corporation, Peru Division	441,091	611,223	72%	
20	Xstrata Tintaya S.A.	290,004	386,672	75%	
	<b>Aggregate companies (ii)</b>	<b>1,350,132</b>	<b>1,825,225</b>	<b>74%</b>	
	<b>Total</b>	<b>6,252,010</b>	<b>8,716,090</b>	<b>72%</b>	

NOTES

(i) Differences over 5% in the ratios of the amount distributed are due to inconsistencies in INGEMMET registers.

(ii) Detail of aggregate companies:

- Lumina Copper S.A.C.
- Gold Fields La Cima S.A.A.
- Castrovirreyna Compañía minera S.A.
- Catalina Huanca Sociedad Minera S.A.C.
- Compañía minera Argentum S.A.
- Compañía minera Condestable S.A.
- Compañía minera Raura S.A.
- Minera Bateas S.A.C.
- Pan American Silver S.A. Mina Quiruvilca
- Sociedad Minera El Brocal S.A.A.
- Compañía minera Ares S.A.C.
- Minera Suyamarca S.A.C.
- Volcan Compañía minera S.A.A.

## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Final tables regarding the distribution of Validity Rights by company according to beneficiary departments (in Peruvian new soles) are provided below:

Anglo American Exploration Perú S.A.

Department	Amount Distributed		
	2008	2009	2010
Apurímac	14,376	9,030	9,030
Arequipa	22,370	16,070	24,845
Ayacucho	7,650	7,650	7,650
Moquegua	26,682	26,682	26,682
Tacna	3,150	3,150	67,275
<b>TOTAL</b>	<b>74,228</b>	<b>62,582</b>	<b>135,482</b>

Anglo American Michiquillay S.A.

Department	Amount Distributed		
	2008	2009	2010
Cajamarca	16,541	16,991	16,541
La Libertad	8,775	8,775	8,775
<b>TOTAL</b>	<b>25,316</b>	<b>25,766</b>	<b>25,316</b>

Anglo American Quellaveco S.A.

Department	Amount Distributed		
	2008	2009	2010
Moquegua	136,035	134,320	177,519
Tacna	11,928	13,643	13,643
<b>TOTAL</b>	<b>147,963</b>	<b>147,963</b>	<b>191,162</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Compañías de Minas Buenaventura S.A.A.

Department	Amount Distributed		
	2008	2009	2010
Ancash	6,750	6,750	-
Apurímac	58,976	60,280	82,306
Arequipa	196,724	189,253	193,559
Ayacucho	248,621	124,260	144,936
Cajamarca	20,849	2,893	8,072
Cusco	5,400	21,166	19,366
Huancavelica	314,286	224,470	210,065
Huánuco	15,122	15,122	12,422
Ica	15,470	13,158	15,795
La Libertad	376	376	-
Lima	43,493	43,064	53,610
Moquegua	31,834	93,260	105,634
Pasco	48,471	53,459	52,087
Piura	79,625	40,221	29,721
Puno	8,550	10,778	64,328
Tacna	6,074	6,071	5,198
<b>TOTAL</b>	<b>1,100,621</b>	<b>904,581</b>	<b>997,099</b>

Compañía minera Antamina S.A.

Department	Amount Distributed		
	2008	2009	2010
Ancash	92,850	96,338	98,588
Huánuco	30,038	30,375	30,375
<b>TOTAL</b>	<b>122,888</b>	<b>126,713</b>	<b>128,963</b>

Compañía minera Atacocha S.A.A

Department	Amount Distributed		
	2008	2009	2010
Lima	207	207	207
Pasco	8,707	9,124	9,124
<b>TOTAL</b>	<b>8,914</b>	<b>9,331</b>	<b>9,331</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Compañía minera Milpo S.A.A.

Department	Amount Distributed		
	2008	2009	2010
Ancash	120,658	105,363	125,471
Arequipa	17,100	17,100	17,100
Ayacucho	225	15	23,394
Cajamarca	4,050	3,150	6,060
Cusco	-	-	4,725
Huancavelica	30,702	25,207	36,102
Huánuco	16,875	16,875	14,363
Ica	26,674	30,966	31,624
Junín	250	250	475
La Libertad	3,864	3,864	16,224
Lambayeque	2,925	-	5,175
Lima	39,925	37,449	38,349
Moquegua	4,932	2,700	2,700
Pasco	40,488	18,983	21,517
Piura	-	-	1,800
Tacna	2,231	-	-
<b>TOTAL</b>	<b>310,899</b>	<b>261,922</b>	<b>345,079</b>

Compañía minera Poderosa S.A.

Department	Amount Distributed		
	2008	2009	2010
Ancash	3,703	3,706	3,706
Cajamarca	900	900	900
Huánuco	4,500	4,500	4,500
La Libertad	133,619	171,017	175,805
Lima	2,228	2,228	20,453
San Martin	18,969	20,094	20,094
<b>TOTAL</b>	<b>163,919</b>	<b>202,445</b>	<b>225,458</b>

Compañía minera San Juan (Perú) S.A.

Department	Amount Distributed		
	2008	2009	2010
Ancash	-	-	4,073
La Libertad	1,011	1,013	1,013
Lima	4,480	4,297	5,201
<b>TOTAL</b>	<b>5,491</b>	<b>5,310</b>	<b>10,287</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Consorcio Minero Horizonte S.A.

Department	Amount Distributed		
	2008	2009	2010
Amazonas	33,373	35,231	35,016
Ancash	14,102	14,102	14,102
Apurímac	9,000	26,550	46,868
Arequipa	2,969	72	72
Ayacucho	-	-	3,600
Cajamarca	1,200	1,200	769
Cusco	30,839	27,000	27,000
Huancavelica	-	-	3,600
Huánuco	-	1,800	1,800
La Libertad	51,784	56,840	66,826
Pasco	-	900	900
Puno	8,172	8,172	8,172
<b>TOTAL</b>	<b>151,439</b>	<b>171,867</b>	<b>208,725</b>

Empresa Minera Los Quenuales S.A.

Department	Amount Distributed		
	2008	2009	2010
Ancash	17,884	10,136	10,459
Apurímac	3,150	3,150	3,150
Ayacucho	6,969	6,747	5,847
Cusco	450	450	450
Huancavelica	8,325	5,850	3,150
Huánuco	675	675	675
Ica	3,938	4,500	4,500
Junín	2,901	2,901	4,026
La Libertad	1,800	1,800	1,800
Lima	152,355	142,689	155,489
Pasco	21,582	21,402	21,402
Puno	5,850	5,850	8,404
Tacna	1,573	-	-
<b>TOTAL</b>	<b>227,452</b>	<b>206,150</b>	<b>219,352</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Minera Barrick Misquichilca S.A.

Department	Amount Distributed		
	2008	2009	2010
Ancash	17,928	11,481	34,598
Apurímac	900	900	900
Ayacucho	8,966	8,966	5,366
Cajamarca	12,375	79,800	192,281
La Libertad	60,796	55,393	85,635
Lambayeque	-	24,300	29,025
Piura	-	84,450	69,112
Tacna	-	-	5,400
<b>TOTAL</b>	<b>100,965</b>	<b>265,290</b>	<b>422,317</b>

Minera Pampa de Cobre S.A.

Department	Amount Distributed		
	2008	2009	2010
Arequipa	86,458	87,209	87,722
Moquegua	67,754	68,436	86,723
<b>TOTAL</b>	<b>154,212</b>	<b>155,645</b>	<b>174,445</b>

Minera Yanacocha S.R.L.

Department	Amount Distributed		
	2008	2009	2010
Cajamarca	626,181	605,245	646,253
Lambayeque	786	788	6,413
<b>TOTAL</b>	<b>626,967</b>	<b>606,033</b>	<b>652,666</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Minsur S.A.

Department	Amount Distributed		
	2008	2009	2010
Ancash	10,575	7,762	6,638
Apurímac	-	-	2,250
Arequipa	12,825	12,825	18,675
Ayacucho	7,425	7,425	9,675
Cajamarca	-	2,250	2,250
Cusco	16,875	17,550	17,550
Huancavelica	19,208	15,526	15,189
Ica	225	225	225
Junín	-	1,800	-
La Libertar	1,837	1,837	-
Lima	19,514	9,501	9,726
Puno	143,665	145,897	161,977
Tacna	29,163	35,915	29,165
<b>TOTAL</b>	<b>261,312</b>	<b>258,513</b>	<b>273,320</b>

Rio Tinto Minera Perú Limitada S.A.C.

Department	Amount Distributed		
	2008	2009	2010
Cajamarca	12,825	12,825	12,825
<b>TOTAL</b>	<b>12,825</b>	<b>12,825</b>	<b>12,825</b>

Sociedad Minera Cerro Verde S.A.A.

Department	Amount Distributed		
	2008	2009	2010
Arequipa	126,220	133,726	138,608
Moquegua	349	349	349
<b>TOTAL</b>	<b>126,569</b>	<b>134,075</b>	<b>138,957</b>

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Southern Perú Copper Corporation, Peru Division

Department	Amount Distributed		
	2008	2009	2010
Ancash	4,036	4,036	2,919
Apurímac	121,873	90,089	87,841
Arequipa	191,476	176,329	161,598
Ayacucho	32,384	28,293	28,293
Cajamarca	9,884	9,884	9,884
Cusco	4,941	4,941	4,941
Huancavelica	2,588	2,588	2,588
Ica	-	8,810	8,810
La Libertad	15,525	15,525	8,775
Moquegua	95,293	86,560	81,948
Puno	1,575	1,575	4,613
Tacna	48,514	39,106	38,881
<b>TOTAL</b>	<b>528,089</b>	<b>467,736</b>	<b>441,091</b>

Xstrata Tintaya S.A.

Department	Amount Distributed		
	2008	2009	2010
Apurímac	-	-	<b>76,950</b>
Arequipa	6,412	6,412	6,412
Cusco	191,273	192,960	204,954
Puno	-	1,688	1,688
<b>TOTAL</b>	<b>197,685</b>	<b>201,060</b>	<b>290,004</b>



Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

Aggregate companies:

Department	Amount Distributed		
	2008	2009	2010
Ancash	31,771	30,871	30,871
Apurímac	102,175	89,452	119,328
Arequipa	253,857	247,461	254,273
Ayacucho	181,027	182,152	179,097
Cajamarca	24,764	21,029	21,040
Cusco	268,578	168,408	173,247
Huancavelica	41,475	38,933	52,419
Huánuco	15,045	12,109	12,173
Junín	126,767	121,043	138,426
La Libertad	14,607	13,300	8,243
Lima	126,932	112,470	127,739
Moquegua	12,493	12,493	12,493
Pasco	127,301	121,845	147,145
Puno	57,648	59,934	73,638
<b>TOTAL</b>	<b>1,384,440</b>	<b>1,231,500</b>	<b>1,350,132</b>

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## VIII. Findings and final recommendations on the EITI-Peru Second National Reconciliation Study

The findings of this second Study pertain to the objectives thereof, i.e. perform an independent analysis and contrasting review between the payments made to the Peruvian government by certain mining, oil and gas companies (voluntarily participating in this Study) operating in national territory, the revenues that various entities of the Peruvian government have received from such companies, and the distribution of these revenues on central, regional and local level during the 2008-2010 period, in compliance with the tax and non-tax obligations set forth in Peruvian applicable legislation.

Furthermore, these recommendations aims at improving the collection and distribution reconciling process addressed in present

Study. This Study has not included an analysis of the collection and distribution processes implemented by the companies and by public entities.

### VIII.1 Findings

#### VIII.1.1 Findings of the Reconciliation Study of payments made to the Peruvian government by the companies signed up to this Study and revenues received by government entities from such entities.

- ▶ In reconciling the Income Tax, we found no differences between payments reported by the companies and revenue collected as reported by SUNAT.
- ▶ In reconciling the Mining Royalties, we found minor differences in the years 2008, 2009 and 2010, which account for 0.009% of reconciled total in this sub-area and less than 0.001% of the reconciled total in this Study.
- ▶ In reconciling the Hydrocarbon Royalties, we found minor differences in the years 2008, 2009 and 2010, which account for 0,001% of reconciled total in this sub-area and less than 0.001% of reconciled total in this Study.
- ▶ In reconciling Validity Rights, we found differences pertaining mainly to payment reports of mining claims by companies who are not the owners thereof. Furthermore, we identified mining claims owned by companies signed up to the Study, according to which validity rights would have been paid by third parties. On the other hand, the differences also arise from the average exchange rates used to convert reported amounts to Peruvian new soles for reconciling purposes. The total net differences account for 3.939% of the total reconciled amounts in this sub-area and for less than 0.009 % of reconciled total in this Study

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## **VIII.1.2 Findings of the Reconciliation Study of revenues received by government entities and the amounts distributed on a central, regional and local level**

Since the official information on distribution of the mining, oil and gas canons, the oil sobrecanon (royalty surtax) and mining royalties is prepared by the public entities in aggregate form and does not detail the amounts to be distributed on payments made by each contributing company, and since the 51 companies signed up to the Study do not account for 100% of the domestic production of the resources that they extract, the amounts distributed by company were recalculated and it was deemed reasonable that the results of such recalculation (as applicable) be lower than or equal to the official amounts reported by the pertaining public entities (PCM and INGEMMET).

This review showed that for the Mining Canon, Mining Royalties, Oil Canon and Additional Oil Canon and for the Gas Canon, recalculation results were lower than or equal to the amounts reported by the PCM, which is consistent with above mentioned methodology.

On the other hand, regarding the reconciliation of the Validity Rights received by INGEMMET and the amounts distributed by INGEMMET on a central, regional and local level, this review determined that the amount distributed by INGEMMET in most cases accounts for 75% of the amounts received as provided by applicable regulations. A recalculation was not necessary, because such information was provided by INGEMMET for the companies signed up to the Study.

## **VIII.1.3 Findings of the Reconciliation Study regarding participation of the companies signed up to the Study**

51 companies of the Peruvian extractive sector (18 companies from the hydrocarbon subsector and 33 companies from the mining subsector) participated in this Second Reconciliation Study. This represents a 54.5% increase compared with the First Study conducted in 2009.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## VIII.1.4 Findings of the Reconciliation Study regarding the materiality levels proposed in the Terms of Reference of the Second EITI-Peru National Reconciliation Study

Present study shows that the materiality levels proposed in the Terms of Reference with respect to the domestic production value by subsector have been reached, i.e. over 75% in the case of the mining subsector (86.94% in 2008, 84.41% in 2009 and 83.42% in 2010) and over 85% in the case of the hydrocarbon subsector (88.06% in 2008, 89.73 in 2009 and 90.33% in 2010). Furthermore, the participation of all the companies was achieved, which production exceeds 2% participation in the domestic production value in the case of mining and oil subsector and 1% in the case of the gas subsector.

## VIII.2 Recommendations

Even though the reconciliation process was successful since the objectives of the Study were achieved, based on the information provided by public entities and companies, below we indicate some recommendations intended to increase the efficiency of future reconciliation studies within the frame of the EITI Peru Study.

### VIII.2.1 Recommendations to improve the reconciliation process

Item	Remark	Recommendation
Validity Right	INGEMMET does not monitor title to the mining claims. This means that some holders may be prospecting and/ or operating claims without informing INGEMMET timely. This hinders the reconciliation Study.	We recommend implementation by INGEMMET of monitoring controls and information cross-checking with the General Mining Directorate of the Ministry of Energy and Mines regarding title of the mining claims (in case of managing validity right).
General	For purposes of consistency of the reconciliation, special forms were created to gather information on each of the items to be reconciled and for each type of participant in the Study (companies and public entities). However, such forms were not used by the public entities in charge of Income Tax, Mining Royalty and Validity Right.	For consistency of the information required, we recommend that the Working Committee, in future studies, commits public entities to using the tools provided by the reconciler to make reconciling more efficient.

## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

### VIII.2.2 Recommendations for future reconciliation studies under recommended EITI standards

Item	Remark	Recommendation
Communication of the objectives of the Study to the key personnel of the signed up companies.	The information level of the key personnel in the companies participating in the Study remains limited and requires informal awareness-raising processes. Even though the Committee provides sufficient and necessary information to the representatives of the signed-up companies, such information is not adequately disseminated within the companies.	For future reconciliation studies in Peru, we recommend a better information dissemination and channelling to following key personnel within companies, for them to appropriately provide required information: <ul style="list-style-type: none"> <li>- Director of Legal or Regulatory Affairs</li> <li>- Financial Director</li> <li>- General Accountant</li> <li>- Head of Taxes</li> </ul>
Presentation of amounts paid by companies	At present, and for this Study, the EITI-Peru Working Committee agreed that information regarding payments made by the companies may be presented in disaggregated form, i.e. Showing each amount pertaining to such company, or in aggregate form, i.e. showing a total amount for a group of companies, according to the preference of the companies signed-up to the Study.	For future reconciliation studies in Peru, we recommend that the EITI Working Committee promote a detailed presentation by each company of the payments made for the items under review.
Information on volumes of Government revenues	Where Government revenues are associated with the amounts of resources extracted, as is the case with royalties, the volumes of resources generating such amounts were not provided. For present Study, only information on amounts collected was provided.	We recommend considering not only the amounts assessed but also the volumes of resources generating such amounts in future reconciliation studies, in order to cover the requirements of the EITI initiative in a comprehensive manner.

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

## **IX. Relevant additional information supplied by the EITI-Peru Working Committee**

Pursuant to the Terms of Reference of present Study, and in compliance with formal requirements mentioned at a later date than such Terms of Reference, the EITI-Peru Working Committee expressed its willingness to include pertinent information regarding following extraordinary conditions:

- Mining Programme of Solidarity with the People – PMSP (also called Voluntary Mining Contribution) for the 2007 – 2011 period.
- Oil Services Contracts for the 2008 – 2010 period.

It should be noted that Ernst & Young did not proceed to any kind of verification regarding the validity of supplied information (including, but not limited to, reconciliation, review, audit), but merely compiled the information provided by mentioned Working Committee.

Such extraordinary conditions are presented in more detail below.

### **IX.1 Mining Programme of Solidarity with the People (Acronym in Spanish: PMSP)**

#### **Background**

Due to the extraordinary rise in international mineral prices, the Peruvian government asked the mining companies in operation stage to make a voluntary contribution during five years, provided the favourable price conjuncture continues, in order to provide an additional support to the state in its fight against poverty.

In December 2006, private mining companies and the State jointly defined the implementation structure of this programme and developed a model agreement to be signed between government and private mining companies, which agreement was formalized by the supreme decree D.S. 071-2006/EM and amendment thereof D.S. 033-2007/EM (amendment aimed at speeding up the procedures for programmes and projects execution agreed upon for the Voluntary Contribution) issued and published respectively on 21 December 2006 and 1 July 2007.

This led to the creation of the Mining Programme of Solidarity with the People, which is a voluntary, extraordinary and temporary contribution (5 years) of private nature, commonly known under Voluntary Contribution.

This programmes formalized the commitment agreed upon between the State and the mining companies, the main purpose of which is to promote social development and improve living conditions of the populations located in the areas of influence of the mining companies

#### **PMSP Objective**

The PMSP is a mechanism by which companies create a Local and Regional monetary Fund with their own respective contributions, regardless of their tax obligations, to add to public and private efforts of combating poverty.

#### **Formalization of contributions**

## Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

To formalize their contribution, mining companies signed individual agreements with the State. Conditions defined by the companies to contribute to the PMSP was first having signed the agreement with the Peruvian State and second that the prices remain above agreed upon reference prices so as to guarantee company earnings.

Provided above mentioned conditions are met, the companies having signed the PMSP agreement were to make the Voluntary Contributions during the 5 years of the agreement period, the first contribution being made in April 2007 and the last contribution in April 2011.

### **Management of the contributions**

The management of the funds contributed by the companies, for the purposes of segregating such contributions from own company assets, was committed to non-profit associations or trusts, depending on the company decision, created to this end. As such, the financial performance of these funds belongs to their managers and must be used for project execution until funds are exhausted. In other words, the resources that are not used will accumulate and must be used until the Fund is completely exhausted.

### **Destination of the contributions**

As stipulated in D.S. N°071-2006-EM and respective amendment, which contains the "Mining Program of Solidarity with the People" Agreement, specific areas are set forth in which works, programmes and /or projects must be executed according to explicit execution priorities. In its respective signed Agreement, the mining company also clearly specifies in which places the local and regional fund to which it contributes must be invested.

The Agreement sets out nine intervention lines for which resources may be used, under the specific condition that at least 30% of the resources be used in Nutrition, Education and Healthcare projects.

The areas of investment are as follows:

- 1) Nutrition of children mainly aged 0 to 5 and expectant mothers.
- 2) Elementary school education, educational supporting and technical training programmes.
- 3) Healthcare.
- 4) Public management skills development and building to identify projects intended to expedite the use of other resources such as the mining canon, the mining royalty and further available resources, and make them feasible.
- 5) Support and develop the promotion of productive chains and / or sustainable development projects beyond the life of mining operations.
- 6) Basic electricity infrastructure; water, sanitation and development; rehabilitation and maintenance of access roads and rural roads.
- 7) Labour-intensive works of local and regional impact, requiring local unskilled labour, under management of the people, community or the local authority and considered a priority for them, for the benefit of the people and/or community healthcare and life quality.
- 8) Supplement the economic resources of third parties or of the State, such as the mining canon, the mining royalty and other available resources to design and execute project(s).

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- 9) Further projects, once previous projects are already in place and working, preferably promoting sustainable development.

### **PMSP management**

Each mining company transferred to a trust, a civil association or to another legal entity the amount pertaining to its Annual Voluntary Contribution, upon auditing of its company Financial Statements and subsequent approval of the General Shareholders' meeting. Generally, such transfer is made at the end of April of corresponding year.

Based on the Voluntary Contribution of the companies, two funds were created: The Local Mining fund and the Regional Mining fund.

- 1) The Local Mining fund: is the fund intended to the areas of influence directly connected to a company mining activities. The area may include various population centres, districts or provinces.
- 2) The Regional Mining Fund: is the fund used for project executions in the poorest areas within the region or regions where the Company develops operations. In the case of the Regional Funds, it may happen that various companies decide to consolidate their contributions into one single Regional Fund to implement joint projects.

The Local and Regional Funds are managed by a respectively created Technical Coordination Committee (Acronym in Spanish: CTC). CTC members are the municipal, district and/ or provincial authorities in case of the Local Fund, and representatives of the regional authorities in case of the Regional Fund. The CTC composition varies depending on the area and the companies.

Local and Regional CTC were in charge of identifying projects, making the respective cost analysis and recommending project executions according to the intervention lines and to the priorities set out in the Agreement. In other words, in the regions or districts, the Technical Coordination Committees were the entities responsible for making decisions regarding executed projects, programmes and works, as well as regarding who executed projects and how they were executed.

### **Calculation of the Voluntary contribution amount**

A price analysis was conducted to check whether the price of the mineral or minerals produced by the company remained stable during the assessment year, and above the reference price agreed upon in the Agreement. If it was not the case, the company did not contribute to the fund in that year. However, in the case that the price had remained above the reference price, the contribution was calculated based on the net annual earnings of the company after Income Tax payment and prior to dividend payout.

It should be noted that both the local and the regional funds were calculated independently, based on the respective Agreement provisions.

The Local Mining Fund can amount up to (depending on the amount to be deducted for royalties) 2.75% of the company earnings: by contrast, the Regional Mining Fund always represents 1% of the annual net earnings after Income Tax payment. Regarding the Regional Mining Fund especially, mention must be made that in year 2007 the Government decided that 4% of said Fund be directly delivered to the Truth

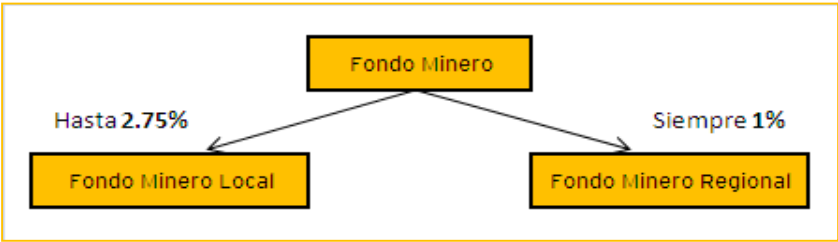


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and Reconciliation Commission, what indeed occurred, an estimated S/.7 millions having been transferred at that time.

[TEXT IN THE FOLLOWING TABLE]

- Fondo Minero: Mining Fund
- Fondo Minero Local: Local Mining Fund
- Fondo Minero Regional: Regional Mining Fund
- Hasta 2.75% : up to 2.75%
- Siempre 1%: always 1%



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### Programme Results

#### Progress of the Mining Programme of Solidarity with the People (PMSP), in August 2011, according to Report No. 36:

In the month of August 2011, the global deposit amount of the Mining Programme of Solidarity with the People, for the years 2007, 2008, 2009, 2010 and 2011, including the Local deposit amount, the Regional deposit amount, and deposits made for the contributions to the Truth and Reconciliation Commission (Acronym in Spanish: CVR) amounted to the total sum of S/2,285,206,404.

The amounts deposited yearly by the companies participating in the PMSP since programme beginning are shown in the table below according to the type of fund:

Type of Fund	Amounts deposited in					Global Deposit Amount S/.
	2007	2008	2009	2010	2011	
Local	331,090,089	288,979,074	244,258,538	257,509,321	284,356,165	1,406,193,187
Regional	179,075,609	183,541,479	149,784,468	141,341,885	208,605,242	862,348,683
CVR	6,641,524	3,292,574	2,175,967	1,962,763	2,591,706	16,664,534
<b>Totals S/.</b>	<b>516,807,222</b>	<b>475,813,127</b>	<b>396,218,973</b>	<b>400,813,969</b>	<b>495,553,113</b>	<b>2,285,206,404</b>

*Source: PMSP- Sectoral Commission*

Table below presents the list of mining companies participating in the PMSP or Voluntary Contribution, and specifies whether these companies have signed up to the Second EITI Reconciliation Study:

No.	Company	Signed up to the EITI Study
1.-	Arasi S.A.C.	
2.-	Aruntani S.A.C.	
3.-	Castrovirreyna Compañía minera S.A.	x
4.-	Catalina Huanca Sociedad Minera S.A.C.	x
5.-	Cedimin S.A.C.	
6.-	Company Argentum S.A.	x
7.-	Compañías de Minas Buenaventura S.A.A	x
8.-	Compañía minera Antamina S.A.	x
9.-	Compañía minera Ares S.A.C	x
10.-	Compañía minera Atacocha S.A.A	x
11.-	Compañía minera Aurífera Santa Rosa S.A	
12.-	Compañía minera Casapalca S.A.	
13.-	Compañía minera Caudalosa S.A.	
14.-	Compañía minera Condestable S.A	x
15.-	Compañía minera Milpo S.A.A.	x
16.-	Compañía minera Poderosa S.A.	x
17.-	Compañía minera Raura S.A	x
19.-	Compañía minera San Ignacio de Morococha S.A.	
18.-	Compañía minera Santa Luisa S.A.	
20.-	Consorcio Minero Horizonte S.A.	x
21.-	Empresa Minera Los Quenuales S.A.	x
22.-	Gold Fields La Cima S.A.A.	x
23.-	Minera Aurífera Retamas S.A.	
24.-	Minera Barrick Misquichilca S.A.	x
25.-	Minera Bateas S.A.C.	
26.-	Minera Colquisiri S.A.	
27.-	Minera Doe Run Perú	

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No.	Company	Signed up to the EITI Study
28.-	Minera Huallanca S.A.	
29.-	Minera Pampa de Cobre S.A.	x
30.-	Minera Perubar S.A.	
31.-	Minera San Simón S.A.	
32.-	Minera Suyamarca S.A.C.	x
33.-	Minera Yanacocha S.R.L.	x
34.-	Minsur S. A.	x
35.-	Pan American Silver S.A. Mina Quiruvilca	x
36.-	Shougang Hierro Perú S.A.	
37.-	Sociedad Minera Cerro Verde S.A.A.	x
38.-	Sociedad Minera El Brocal S.A.A.	x
39.-	Southern Perú Copper Corporation, Peru Division	x
40.-	Xstrata Tintaya S.A.	x

Below we present the amounts Deposited, Committed and Executed, of the Local and Regional Funds in August 2011, according to Report No. 36:

### a) Local Fund:

#### i. Fund by investment category

Below table shows the accumulated amounts Committed and Executed until the month of August 2011, according to Report No. 36, in the order of investment priority as determined in D.S. N°071-2006-EM.

Category	Project		Committed		Executed		Level of Progress
	No.	%	Monto S/.	%	Monto S/.	%	%
Food and Nutrition	80	5	108,536,869	9	88,799,374	10	82
Education	372	25	165,463,601	14	128,226,381	15	77
Healthcare	211	14	113,196,475	9	98,939,123	11	87
Infrastructure	369	25	505,234,251	42	301,660,278	35	60
Capacity-building and development	119	8	67,955,866	6	55,452,679	6	82
Productive chains and projects	295	20	161,124,188	14	145,594,740	17	90
Others	47	3	66,281,398	6	54,453,572	6	82
<b>Totals</b>	<b>1,493</b>	<b>100</b>	<b>1,187,792,648</b>	<b>100</b>	<b>873,126,147</b>	<b>100</b>	<b>74</b>

Source: PMSP Sectoral Commission

#### ii. Fund by Region

Below table provides the accumulated Committed and Executed Funds until the month of August 2011, according to Report No. 36, and their distribution by region in which Programmes, projects and Works of local impact are implemented. The distribution of the Committed Local Amount is associated with areas of attention mentioned in the agreements signed by the companies, such areas being linked to the locations of their respective mining operations.

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No.	Region	Committed		Executed		Progress level
		Amount S/.	%	Amount S/.	%	%
1.-	Ancash	482,520,072	40.62	423,638,588	48.52	88
2.-	Apurímac	714,781	0.06	706,951	0.08	99
3.-	Arequipa	269,985,570	22.73	96,984,235	11.11	36
4.-	Ayacucho	605,679	0.05	529,916	0.06	87
5.-	Cajamarca	177,937,227	14.98	151,630,278	17.37	85
6.-	Cusco	99,776,467	8.40	66,652,626	7.63	67
7.-	Huancavelica	1,663,561	0.14	1,494,679	0.17	90
8.-	Huánuco	34,997,187	2.95	30,672,012	3.51	88
9.-	Ica	8,938,645	0.74	7,134,630	0.82	80
10.-	Junín	4,533,771	0.38	4,834,247	0.55	107
11.-	La Libertad	16,836,566	1.42	16,469,985	1.87	98
12.-	Lambayeque	1,746,942	0.15	2,233,575	0.26	128
13.-	Lima	35,063,185	2.95	28,165,929	3.23	80
14.-	Lima (Callao)	966,555	0.08	832,530	0.10	86
15.-	Moquegua	4,223,693	0.36	4,101,017	0.47	97
16.-	Pasco	20,172,906	1.70	19,642,642	2.25	97
17.-	Puno	4,175,515	0.35	3,926,746	0.45	94
18.-	Tacna	22,871,065	1.93	13,413,185	1.54	59
19.-	No registrado	63,264	0.01	62,377	0.01	99
	<b>Total</b>	<b>1,187,792,651</b>	<b>100</b>	<b>873,126,148</b>	<b>100</b>	<b>74%</b>

Source: PMSP Sectoral Commission

iii. Fund by Company:

Table below provides the distribution by company, according to accumulated Amounts Executed, Amounts Committed and Amounts Deposited until the month of August 2011, according to Report No. 36. The amount Committed in Programmes, Projects and Social Works represents 83% of the Amount Deposited.

Please see following link for details:

<http://www.minem.gob.pe/minem/archivos/Informe036%20PMSP%20Agosto%202011.pdf>  
(page 7 – 8)

b) Regional Fund

i. Fund by Investment Category:

Below table shows the accumulated amounts Committed and Executed until the month of August 2011, according to Report No. 36, in the order of investment priority as determined in D.S. N°071-2006 and respective amendment.

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Category	Project		Committed		Executed		Level of progress
	Nº	%	Amount S/.	%	Amount S/.	%	%
Food and Nutrition	57	6	67,139,928	12.00	50,633,632	11.91	75
Education	256	27	128,673,310	23.00	106,894,141	25.14	83
Healthcare	132	14	65,859,318	11.77	48,354,695	11.37	73
Infrastructure	207	22	199,977,387	35.75	143,585,283	33.76	72
Capacity building and development	78	8	30,770,905	5.50	23,335,258	5.49	76
Productive chains and Projects	183	19	63,086,105	11.29	49,562,793	11.65	79
Others	34	4	3,859,808	0.69	2,913,432	0.68	75
<b>Totals</b>	<b>947</b>	<b>100</b>	<b>559,366,761</b>	<b>100</b>	<b>425,279,234</b>	<b>100</b>	<b>76</b>

Source: PMSP Sectoral Commission

ii. Fund by Region :

Below table shows the accumulated Executed Amounts and Committed Amounts in the Regional Fund and distributed by regions in which Programmes, Projects, and Works of regional impact are being implemented..

No.	Region	Committed		Executed		Progress level
		Amount S/.	%	Amount S/.	%	%
1.-	Ancash	183,810,701	32.86	162,208,276	38.14	88
2.-	Apurímac	1,109,924	0.20	1,113,737	0.26	100
3.-	Arequipa	76,959,029	13.76	31,345,115	7.37	41
4.-	Ayacucho	1,974,671	0.35	1,714,490	0.40	87
5.-	Cajamarca	68,749,096	12.29	33,653,364	7.91	49
6.-	Cusco	24,747,700	4.42	18,666,219	4.39	75
7.-	Huancavelica	2,969,651	0.53	2,839,050	0.67	96
8.-	Huánuco	5,584,210	1.00	2,889,060	0.68	52
9.-	Ica	12,477,526	2.23	10,320,552	2.43	83
10.-	Junín	5,211,410	0.93	4,006,523	0.94	77
11.-	La Libertad	57,241,286	10.23	55,459,984	13.04	97
12.-	Lambayeque	609,841	0.11	307,386	0.07	50
13.-	Lima	24,712,817	4.42	17,317,004	4.09	70
14.-	Lima (Callao)	1,119,620	0.20	1,115,468	0.26	100
15.-	Moquegua	35,708,254	6.39	33,253,682	7.82	93
16.-	Pasco	17,953,866	3.21	15,395,026	3.62	86
17.-	Puno	19,464,238	3.48	18,209,963	4.28	94
18.-	Tacna	18,886,612	3.38	15,388,025	3.62	81
19.-	No registrado	76,310	0.01	76,310	0.02	100
	<b>Total</b>	<b>559,366,762</b>	<b>100</b>	<b>425,279,234</b>	<b>100</b>	<b>76</b>

Source: PMSP Sectoral Commission

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### iii. Fund by Company:

We provide amounts Deposited, amounts Committed and amounts Executed, by company and accumulated, in August 2011 (month of Programme closure).

Since this pertains to public information, see following link for further details

<http://www.minem.gob.pe/minem/archivos/Informe036%20PMSP%20Agosto%202011.pdf>  
(página 11 – 12)

We provide amounts Deposited, Committed and Executed in global terms, by company and by Type of Fund, accumulated in August 2011 (month of Programme closure).

Since this pertains to public information, see following link for more details

<http://www.minem.gob.pe/minem/archivos/Informe036%20PMSP%20Agosto%202011.pdf>  
(página 15 – 19)

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## **Mid-Term PMSP Assessment**

The Sectoral Commission, through its Technical Secretariat under the General Office of Social Management of the Ministry of Energy and Mines, published in January the document “Mid-Term Assessment of the Mining Programme of Solidarity with the People) (PMSP) pertaining to the 2007 – 2009 period”, with the aim of requesting the mining companies part of the PMSP to make their mid-term PMSP results assessments as provided in the document “Lines of Action of the Mining Programme of Solidarity with the People 2007-2011”.

The Technical Secretariat requested the companies participating in the PMSP, by Standard Request No.003-2011-MEM/OGGS, to conduct their respective Mid-Term Assessments, so as to have information on the positive impacts that are being achieved since projects executed with PMSP funds are implemented.

These Mid-Term Assessments have a strong qualitative component intended to measure the quality of the investments made in the projects implemented within PMSP framework, promoting thus an assessment culture for implemented social intervention strategies in order to contribute to the economic and social development in line with the Government policies combating poverty, PMSP ultimate target.

Lastly, mention must be made that the Mining Programme of Solidarity People comes to an end with the 2011 contribution made in April 2011, and that outstanding balances must be integrally spent in compliance with the programme regulations. Such outstanding balances must be used for the PMSP social closure strategy, given the fact that most investment projects have been directly identified and developed with PMSP beneficiaries.

## **Achievements and sustainability**

On request of the Working Committee, main PMSP achievements -according to the Mid-Term PMSP assessments conducted by other consulting companies commissioned by contributing mining companies- are listed below. It should be noted that such information provided below has neither been reviewed nor validated by Ernst & Young, and that we consequently assume no responsibility for such information.

### Healthcare

- Reduction of Infant Chronic Malnutrition (Acronym in Spanish: DCI) due to programme interventions.
- Reduction of Acute Diarrhoea Disease (EDA) in children under age 3.
- Decrease of Acute Respiratory Infections (IRA) in children under age 5 in rural areas

### Birth rate

- Increased number of women having attended at least 3 pre-birth controls.
- Higher percentage of women with institutional childbirth.

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- Increased breastfeeding only by mothers of infants aged 4 to 6 months.
- Increased vaccination coverage for children aged 12 to 23 months.

### Education

- Increased interest and involvement of parents in rural areas to support the teaching personal actions aimed at improving educational quality and infrastructure.

### Production

- Business development for family units in rural areas, which are in situation of poverty or extreme poverty based on the development of economic projects.
- Improved land-and-cattle production due to capacity-building programmes targeting families, farmers and associations in rural areas.
- Higher infrastructure value for the families, producers and producers association, after directly receiving inputs (better kitchen, grass seeds, productive infrastructure, among others) with market value on which they can capitalize.
- Improved agricultural production through implementation of irrigation programmes permanently supplying water to farming areas and improving water efficient use.

### Infrastructure

- Improved healthcare infrastructure: construction and remodelling of hospitals and labs, provision of equipment, furniture, capacity-building programmes and technical assistance in hospitals.
- Better educational infrastructure: construction and enlargement of educational institutions, purchase of equipment and furniture.
- The populations located in the mining areas of influence have a better access to road infrastructure, productive irrigation infrastructure and basic services.
- Higher number of families accessing water and sanitation services due to the implementation of projects improving the drinking water system, the sewage system and the waste water treatment system.

### Public Investment

Resources from the mining canon and mining royalties, among others, are better used due to capacity-building and development in management of public investment (identification, feasibility and implementation of social and economic projects)



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## Telecommunications

- Greater coverage of mobile and fixed wireless telephony in the population centres within the districts located in the area of influence, thus reducing integration difficulties among communities, unnecessary travels of the inhabitants, and deficiencies in the social and economic conditions, particularly in rural areas.

For more information on the results of the PMSP Mid-Term assessment, please see following web-page for public information:

[http://extranet.minem.gob.pe/PloneExtranet/OGGS\\_Publico/OGGS\\_EMT\\_LB](http://extranet.minem.gob.pe/PloneExtranet/OGGS_Publico/OGGS_EMT_LB)

Additionally we provide a compendium of the audits performed for the companies part of the PMSP for fiscal years 2008, 2009, 2010 and 2011, which compendium can be accessed on following web-page for public information:

<http://www.minem.gob.pe/descripcion.php?idSector=3&idTitular=4446>

## IX.2 Oil Services Contract

In accordance with information provided by PERUPETRO, the table below shows the revenues from the Licence Agreements pertaining to the hydrocarbon lots which have paid royalties to the government through PERUPETRO S.A., from hydrocarbons prospecting and operations in the Agreement area, and the revenues for the Service Contracts pertaining to the lots in which hydrocarbon prospecting and production activities are carried out, which activities are remunerated according to monitored production.

Licence	2004 (US\$)	2005 (US\$)	2006 (US\$)	2007 (US\$)	2008 (US\$)	2009 (US\$)	2010 (US\$)
1-AB	114,241,789	148,022,678	172,282,654	181,320,822	215,247,315	105,491,584	140,544,649
<b>31B Y 31D</b>	1,615,992	3,774,546	6,086,999	5,466,772	6,428,788	3,365,520	4,511,229
<b>31-C</b>	21,725,453	32,151,498	36,684,349	43,098,120	65,855,842	38,464,543	44,370,725
<b>31-E</b>	10,334	-	-	-	468,489	344,990	430,228
<b>8</b>	55,120,068	73,830,341	85,805,049	95,561,678	117,381,412	65,123,795	341,807,018
<b>88</b>	52,792,775	191,093,933	243,949,586	301,462,725	352,936,504	269,518,379	75,795,299
<b>56</b>	-	-	-	-	54,406,664	203,084,277	465,788,750
<b>II</b>	3,344,631	4,993,227	6,280,418	7,023,522	12,216,682	7,036,835	8,482,698
<b>III</b>	4,033,142	6,670,208	9,305,379	12,242,004	29,053,005	37,507,271	40,823,027
<b>IV</b>	3,974,320	6,650,177	11,702,443	18,923,486	27,650,988	11,182,856	13,069,675
<b>VII_VI</b>	15,614,335	17,951,641	17,814,408	16,274,556	19,369,188	11,576,647	14,028,861
<b>X</b>	34,441,681	56,436,136	81,392,345	105,755,236	206,483,103	84,018,065	125,884,016
<b>XIII</b>	498,000	460,825	575,472	3,350,691	20,664,926	19,279,170	34,093,647
<b>XIV</b>	-	-	-	-	-	-	-
<b>XV</b>	105,945	148,445	175,756	187,013	265,061	169,720	268,285
<b>XX</b>	-	-	-	241,217	258,084	194,684	307,084
<b>Z-1</b>	-	-	-	128,678	3,337,721	2,911,375	6,292,330
<b>TOTAL</b>	<b>307,518,465</b>	<b>542,183,655</b>	<b>672,054,858</b>	<b>791,036,520</b>	<b>1,132,023,772</b>	<b>859,269,711</b>	<b>1,316,497,521</b>

Services	2004 (US\$)	2005 (US\$)	2006 (US\$)	2007 (US\$)	2008 (US\$)	2009 (US\$)	2010 (US\$)
<b>31B y 31D</b>	-	-	-	-	-	-	-

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1-AB	-	-	-	-	-	-	-
I	3,164,872	4,810,611	5,567,748	6,538,379	8,791,273	5,226,234	7,290,576
II	-	-	-	-	-	-	-
III	-	-	-	-	-	-	-
IV	-	-	-	-	-	-	-
IX	1,605,277	2,761,737	3,652,222	4,173,628	6,534,603	3,306,754	4,507,569
LOBITOS, EL ALTO Y LOS ORGANOS	-	-	-	-	-	-	-
V	490,120	857,244	1,109,921	1,398,637	2,618,276	1,122,401	1,567,954
VI	-	-	-	-	-	-	-
VII_VI	-	-	-	-	-	-	-
Z-2B	25,633,182	35,885,678	50,378,757	52,921,236	67,383,709	44,489,049	60,525,976
<b>TOTAL</b>	<b>30,893,451</b>	<b>44,315,270</b>	<b>60,708,648</b>	<b>65,031,880</b>	<b>85,327,861</b>	<b>54,144,438</b>	<b>73,892,075</b>

Source: Treasury Department – Perupetro

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru (2008 – 2010) (Continuation)

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Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Annexe II Annual Income Tax: Annual Income Tax Return, Amending Tax Returns and Substituting Tax Returns –

RUC: \_\_\_\_\_

Company: \_\_\_\_\_

Item	Ref.	Item / Period	Year 2008			Year 2009		
			PDT 0662			PDT 0664		
			Amount	Filing Date	Form Order No.	Amount	Filing Date	Form order No.
Third Category Income Tax Return	(A)	Income Tax amount entered in Box 504 of the third category Income Tax Return.						
	(B)	Income Tax amount entered in Box 126 of the third category Income Tax Return.						
Amending Tax Returns	(C)	Income Tax amount entered in Box 504 of the third category Income Tax Return.						
	(D)	Income Tax amount entered in Box 126 of the third category Income Tax Return.						
Substituting Tax Returns	(E)	Income Tax amount entered in Box 504 of the third category Income Tax Return.						
	(F)	Income Tax amount entered in Box 126 of the third category Income Tax Return.						

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

**Instructions to complete the form**

- (A) The company is required to consider all annexes attached to this tax return; those reporting mining concessions and /or gas lots
- (B) Amount of payments on account of Income Tax credited against the ITAN.
- (C) **For amending Tax Returns filed for each annual tax, as indicated in the column, include the amounts for Income Tax** entered in Box 504 of the third category Income Tax Return; in itemised form (insert as many cells as necessary based on the number of Amending Tax Returns filed).
- (D) **For amending Tax Returns filed for each annual tax, as indicated in the column, include the amounts for Income Tax** entered in Box 126 of the third category Income Tax Return, in itemised form (insert as many cells as necessary based on the number of Amending Tax Returns filed)
- (E) **For substituting Tax Returns filed for each annual tax, as indicated in the column, include the amounts for Income Tax** entered in Box 504 of the third category Income Tax Return; in itemised form (insert as many cells as necessary based on the number of Substituting Tax Returns filed).
- (F) **For substituting Tax Returns filed for each annual tax, as indicated in the column, include the amounts for Income Tax** entered in Box 126 of the third category Income Tax Return, in itemised form (insert as many cells as necessary based on the number of Substituting Tax Returns filed)

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Annexe I: Annual Income Tax: Annual Income Tax Return, Amending Tax Returns and Substituting Tax Returns

RUC: \_\_\_\_\_

Company: \_\_\_\_\_

Item	Ref.	Item / Period	Year 2010		
			PDT 0668		
			Amount	Filing Date	Form Order No.
Third Category Income Tax Return	(A)	Income Tax amount entered in Box 504 of the third category Income Tax Return.			
	(B)	Income Tax amount entered in Box 126 of the third category Income Tax Return.			
Amending Tax Return	(C)	Income Tax amount entered in Box 504 of the third category Income Tax Return.			
	(D)	Income Tax amount entered in Box 126 of the third category Income Tax Return.			

•Tax Stability Agreement	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

Substituting Tax Returns	(E)	Income Tax amount entered in Box 504 of the third category Income Tax Return.			
	(F)	Income Tax amount entered in Box 126 of the third category Income Tax Return.			

• Indicate the currency in which figures are expressed	<input type="checkbox"/>	S/.	<input type="checkbox"/>	USD
--	--------------------------	-----	--------------------------	-----

**Instructions to complete the form:**

(A) The company is required to consider all annexes attached to this tax return; those reporting mining concessions and/or oil and gas lots

(B) Amount of payments on account of Income Tax credited against the ITAN.

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
 (2008 – 2010) (Continuation)

- (C) **For amending Tax Returns filed for each annual tax, as indicated in the column, include the amounts for Income Tax** entered in Box 504 of the third category Income Tax Return; in itemised form (insert as many cells as necessary based on the number of Amending Tax Returns filed).
- (D) **For amending Tax Returns filed for each annual tax, as indicated in the column, include the amounts for Income Tax** entered in Box 126 of the third category Income Tax Return, in itemised form (insert as many cells as necessary based on the number of Amending Tax Returns filed)
- (E) **For substituting Tax Returns filed for each annual tax, as indicated in the column, include the amounts for Income Tax** entered in Box 504 of the third category Income Tax Return; in itemised form (insert as many cells as necessary based on the number of Substituting Tax Returns filed).
- (F) **For substituting Tax Returns filed for each annual tax, as indicated in the column, include the amounts for Income Tax** entered in Box 126 of the third category Income Tax Return, in itemised form (insert as many cells as necessary based on the number of Substituting Tax Returns filed)

**Statement of responsibility of the Management**

We hereby acknowledge on behalf of ..... *our responsibility for the information contained in this template.*

\_\_\_\_\_  
 Legal Representative

Name:

Title:

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Annexe II Mining Royalties

RUC: \_\_\_\_\_

Company: \_\_\_\_\_

Month/Year	PDT 698 used as Tax Return			PDT 698 used as Payment Slip			
	Date <b>(A)</b>	Royalty amount reported <u>Box 106</u> <b>(B)</b>	Royalty amount paid <u>Box 598</u> <b>(B)</b>	Form Order No.	Date <b>(A)</b>	Royalty amount paid <u>Box 609</u> <b>(C)</b>	For order No.
Jan-08							
Feb-08							
Mar-08							
Apr-08							
May-08							
Jun-08							
Jul-08							
Aug-08							
Sep-08							
Oct-08							
Nov-08							
Dec-08							
Total							



# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI)

in Peru (2008 – 2010) (Continuation)

Annexe II Mining Royalties

RUC: \_\_\_\_\_

Company: \_\_\_\_\_

Month/Year	PDT 698 used as Tax Return				PDT 698 used as Payment Slip		
	Date (A)	Royalty amount reported <u>Box 106</u> (B)	Royalty amount paid <u>Box 598</u> (B)	Form order No.	Date (A)	Royalty amount paid <u>Box 609</u> (C)	Form order No.
Jan-09							
Feb-09							
Mar-09							
Apr-09							
May-09							
Jun-09							
Jul-09							
Aug-09							
Sep-09							
Oct-09							
Nov-09							
Dec-09							
Total							

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI)

in Peru (2008 – 2010) (Continuation)

**Annexe II Mining Royalties**

RUC: \_\_\_\_\_

Company: \_\_\_\_\_

Month/Year	PDT 698 used as Tax Return			PDT 698 used as payment slip			
	Date <b>(A)</b>	Royalty amount reported <u>Box 106</u> <b>(B)</b>	Royalty amount paid <u>Box 598</u> <b>(B)</b>	Form Order No.	Date <b>(A)</b>	Royalty amount paid <u>Box 609</u> <b>(C)</b>	Form Order No.
Jan-10							
Feb-10							
Mar-10							
Apr-10							
May-10							
Jun-10							
Jul-10							
Aug-10							
Sep-10							
Oct-10							
Nov-10							
Dec-10							
Total							

• Indicate currency in which figures are expressed  S/.  USD

**Statement of responsibility of the Management**

We hereby acknowledge on behalf of ..... our  
responsibility for the information contained in this template.

\_\_\_\_\_  
Legal Representative

Name:

Title:

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Annexe III Hydrocarbon Royalties

Company: \_\_\_\_\_

Ref.	Item / Period	Year 2008													
		Lot	1st half Jan	2nd half Jan	1st half Feb	2nd half Feb	1st half Mar	2nd half Mar	1st half Apr	2nd half Apr	1st half May	2nd half May	1st half Jun	2nd half Jun	
(A)	Royalty amount paid (USD)														
(B)	Payment date														

Ref.	Item / Period	Year 2008													
		Lot	1st half Jul	2nd half Jul	1st half Aug	2nd half Aug	1st half Sep	2nd half Sep	1st half Oct	2nd half Oct	1st half Nov	2nd half Nov	1st half Dec	2nd half Dec	
(A)	Royalty amount paid (USD)														
(B)	Payment date														

**Instructions to complete the form**

- (A) Refers to the bi-monthly paid by the company for royalties originating in such period..
- (B) Pertains to the date on which payment of the royalty for the indicated period was made.

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Annexe III (continuation)

Company: \_\_\_\_\_

Ref.	Item / Period	Year 2009													
		Lot	1st half Jan	2nd half Jan	1st half Feb	2nd half Feb	1st half Mar	2nd half Mar	1st half April	2nd half April	1st half May	2nd half May	1st half Jun	2nd half Jun	
(A)	Amount of royalty paid (USD)														
(B)	Payment date														

Ref.	Item / Period	Year 2009													
		Lot	1st half Jul	2nd half Jul	1st half Aug	2nd half Aug	1st half Sep	2nd half Sep	1st half Oct	2nd half Oct	1st half Nov	2nd half Nov	1st half Dec	2nd half Dec	
(A)	Amount of royalty paid (USD)														
(B)	Payment date														

**Instructions to complete the form**

- (A) Refers to the bi-monthly paid by the company for royalties originating in such period..
- (B) Pertains to the date on which payment of the royalty for the indicated period was made.

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Annexe III (continuation)

Company: \_\_\_\_\_

Ref.	Item / Period	Year 2010													
		Lot	1st half Jan	2nd half Jan	1st half Feb	2nd half Feb	1st half Mar	2nd half Mar	1st half April	2nd half April	1st half May	2nd half May	1st half Jun	2nd half Jun	
(A)	Amount of royalty paid (USD)														
(B)	Payment date														

Ref.	Item / Period	Year 2010													
		Lot	1st half Jul	2nd half Jul	1st half Aug	2nd half Aug	1st half Sep	2nd half Sep	1st half Oct	2nd half Oct	1st half Nov	2nd half Nov	1st half Dec	2nd half Dec	
(A)	Amount of royalty paid (USD)														
(B)	Payment date														

**Instructions to complete the form**

- (A) Refers to the bi-monthly paid by the company for royalties originating in such period..
- (B) Pertains to the date on which payment of the royalty for the indicated period was made.

**Statement of responsibility of the Management**

We hereby acknowledge on behalf of ..... our  
responsibility for the information contained in this template.

\_\_\_\_\_  
Legal Representative  
Name:  
Title:

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI) in Peru  
(2008 – 2010) (Continuation)

Annexe IV Validity Right

Company: \_\_\_\_\_

No. of Claim	Year 2008		Year 2009		Year 2010	
	Amount (A)	Payment date (B)	Amount (A)	Payment date (B)	Amount (A)	Payment date (B)

**Instructions to complete the form:**

- (A) Refers to the amount paid to INGEMMET for validity rights based on the information entered in the List of Registered Mines and applying the rates required by law. IMPORTANT: Include all claims registered in the name of the company, regardless of whether the company or a third party has paid for such claims. Indicate cases where the validity right was paid by a third party.
- (B) Pertains to the date on which payment of the validity right was made.

**Statement of responsibility of the Management**

We hereby acknowledge on behalf of ..... our  
responsibility for the information contained in this template.

\_\_\_\_\_  
Legal Representative  
Name:  
Title:

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI)

in Peru (2008 – 2010) (Continuation)

**Annexe V Hydrocarbon royalty**

Company: \_\_\_\_\_

Company	Ref.	Item / Period	Lot	Year 2008											
				1st half Jan	2nd half Jan	1st half Feb	2nd half Feb	1st half Mar	2nd half Mar	1st half Apr	2nd half Apr	1st half May	2nd half May	1st half Jun	2nd half Jun
	(A)	Amount collected (USD)													
	(B)	Collection date													

Company	Ref.	Item / Period	Lot	Year 2008											
				1st half Jul	2nd half Jul	1st half Aug	2nd half Aug	1st half Sep	2nd half Sep	1st half Oct	2nd half Oct	1st half Nov	2nd half Nov	1st half Dec	2nd half Dec
	(A)	Amount collected (USD)													
	(B)	Collection date													

**Instructions to complete the form**

(A) Refers to the bi-monthly paid by the company for royalties originating in such period..

(B) Pertains to the date on which payment of the royalty for the indicated period was made.



Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI)  
in Peru (2008 – 2010) (Continuation)

Annexe V Hydrocarbon Royalty

Company: \_\_\_\_\_

Company	Ref.	Item / Period	Lot	Year 2009											
				1st half Jan	2nd half Jan	1st half Feb	2nd half Feb	1st half Mar	2nd half Mar	1st half Apr	2nd half Apr	1st half May	2nd half May	1st half Jun	2nd half Jun
	(A)	Amount collected (USD)													
	(B)	Collection date													

Company	Ref.	Item / Period	Lot	Year 2009											
				1st half Jul	2nd half Jul	1st half Aug	2nd half Aug	1st half Sep	2nd half Sep	1st half Oct	2nd half Oct	1st half Nov	2nd half Nov	1st half Dec	2nd half Dec
	(A)	Amount collected (USD)													
	(B)	Collection date													

**Instructions to complete the form**

- (A) Refers to the bi-monthly paid by the company for royalties originating in such period..
- (B) Pertains to the date on which payment of the royalty for the indicated period was made.

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI)  
in Peru (2008 – 2010) (Continuation)

Annexe V Hydrocarbon Royalty

Company: \_\_\_\_\_

Company	Ref.	Item / Period	Lot	Year 2010											
				1st half Jan	2nd half Jan	1st half Feb	2nd half Feb	1st half Mar	2nd half Mar	1st half Apr	2nd half Apr	1st half May	2nd half May	1st half Jun	2nd half Jun
	(A)	Amount collected (USD)													
	(B)	Collection date													

Company	Ref.	Item / Period	Lot	Year 2010											
				1st half Jul	2nd half Jul	1st half Aug	2nd half Aug	1st half Sep	2nd half Sep	1st half Oct	2nd half Oct	1st half Nov	2nd half Nov	1st half Dec	2nd half Dec
	(A)	Amount collected (USD)													
	(B)	Collection date													

**Instructions to complete the form**

(A) Refers to the bi-monthly paid by the company for royalties originating in such period.  
 (B) Pertains to the date on which payment of the royalty for the indicated period was made.

**Statement of responsibility of the Management**

We hereby acknowledge on behalf of ..... our responsibility for the information contained in this template.

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI)  
in Peru (2008 – 2010) (Continuation)

_____ Legal Representative
Name:
Title:

Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI)  
in Peru (2008 – 2010) (Continuation)

Annexe VI      Validity Right

Company	No. of Claim	Year 2008		Year 2009		Year 2010	
		Amount (A)	Payment date (B)	Amount (A)	Payment date (B)	Amount (A)	Payment date (B)

**Instructions to complete the form:**

- (A) Refers to the amount charged for validity rights based on the information entered in the List of Registered Mines and applying the rates required by law.
- (B) Pertains to the date on which the company paid the validity right.

**Statement of responsibility of the Management**

We hereby acknowledge on behalf of ..... our responsibility for the information contained in this template.

\_\_\_\_\_ Legal Representative

Name:

Title:

# Consultancy for the Second National Reconciliation Study of the Extractive Industries Transparency Initiative (EITI)

in Peru (2008 – 2010) (Continuation)

## Annexe VII Confidentiality Agreement (Model Agreement subscribed by signed up companies)

This Confidentiality Agreement is entered into by and between:

- [\_\_\_\_], identified by RUC No. [\_\_\_\_], duly represented by [\_\_\_\_], identified by [\_\_\_\_] No. [\_\_\_\_], pursuant to the power of attorney in registry file No. [\_\_\_\_] of the Lima and Callao Register of Legal Entities ( *Registro de Personas Jurídicas de la Oficina Registral de Lima y Callao*); both with registered office for the purposes hereof at [\_\_\_\_]; hereafter referred to as [\_\_\_\_]; as party of the first part; and
- **ERNST & YOUNG ASESORES S. CIVIL DE R.L.**, identified by RUC No. 20504645984, duly represented by Mr. Carlos Valdivia, identified by National Identity Document No. 07876578; with registered office for the purposes hereof at Víctor Andrés Belaúnde 171, sexto piso, District of San Isidro, Lima; a company hereafter referred to as “**ERNST & YOUNG**”. As party of the second part.

This Confidentiality Agreement is entered under the following terms and conditions

### ONE. - BACKGROUND

Within the frame of the contract for preparation of the EITI National Reconciliation Study entered into by and between **ERNST & YOUNG** and the Ministry of Energy and Mines (hereinafter “the Services Contract”), the parties accept that **ERNST & YOUNG** may receive from [\_\_\_\_], information of a reserved and confidential nature.

In this connection, the parties state that they wish to protect the secrecy of such information under the terms and conditions thereof.

### TWO.- PURPOSE

**ERNST & YOUNG** hereby agrees to [\_\_\_\_] to perform the confidentiality obligations contained in the following clauses .

### THREE.- CONFIDENTIAL INFORMATION

The parties agree that, as used herein, “Confidential Information” shall be understood as all such information made available to **ERNST & YOUNG** by [\_\_\_\_], as a result of execution and performance of the Services Contract, regardless of the physical support containing such information, provided such information has been expressly identified as confidential by [\_\_\_\_].

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## FOUR.- TERM AND SCOPE OF THE CONFIDENTIAL DUTY

- 4.1. **ERNST & YOUNG** acknowledges and accepts the confidential and reserved nature of the Confidential Information and agrees to perform the confidentiality duty in connection therewith during the term of this Agreement and for two (2) years as from expiry or termination thereof.

In connection with publication of the National Reconciliation Study , the final report on such Study will be disseminated, complying with the desire for confidentiality as companies participating in this initiative may have stated. Accordingly, the

EITI Working Committee will obtain and share the Reconciler a copy of the written preference on this matter that each p[articipating company may submit, whereby this Committee releases the Reconciler from any liability and consequences of disclosure of such final report.

Therefore, unless authorized in writing by [\_\_\_\_\_] or in such cases as may be allowed in this agreement, **ERNST & YOUNG** shall not disclose to any individual or legal entity the contents of the Confidential Agreement.

- 4.2. Notwithstanding the provisions in Sub-clause numeral 4.1 above, **ERNST & YOUNG** may deliver the Confidential Information to nits officers, representatives, advisors and employees who so require in performance of the Services Contract. In such case, , **ERNST & YOUNG** agrees to cause the aforementioned persons to acknowledge the obligation of keeping the Confidential Information under strict confidential reserve.

## FIVE.- NON-CONFIDENTIAL INFORMATION

- 5.1 The confidentiality obligation of **ERNST & YOUNG** under this agreement shall not be extensive to such information that:
- 5.1.1. Is public or becomes public after execution thereof, unless it becomes public as a result of any breach on the obligations of **ERNST & YOUNG** hereunder.
  - 5.1.2. Is lawfully available to the general public or legally obtained by **ERNST & YOUNG** from third parties other than [\_\_\_\_\_] or their representatives or personnel, with no obligation to keep confidential reserve.
  - 5.1.3. Is directly or indirectly generated by **ERNST & YOUNG**, its subsidiaries or affiliates.
  - 5.1.4. **ERNST & YOUNG** may evidence that it was in possession or had knowledge thereof prior to execution hereof.

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## SIX.- RETURN OF INFORMATION

- 6.1. The parties expressly agrees that the Confidential Information written or contained in any mechanical, electronic, magnetic, digital or similar support that [\_\_\_\_\_] delivers to **ERNST & YOUNG** shall continue to be propriety information of [\_\_\_\_\_]. Therefore, **ERNST & YOUNG** shall use the Confidential Information only for the purposes for which such Confidential Information was delivered to it.
- 6.2. The parties agree that the Confidential Information written or contained in any mechanical, electronic, magnetic, digital or similar support will be returned by **ERNST & YOUNG** to [\_\_\_\_\_] immediately upon completion of the Services Contract, unless **ERNST & YOUNG** is expressly authorised in writing to keep any such documentation, which authorisation shall detail the documentation which **ERNST & YOUNG** will be allowed to keep. In any case, **ERNST & YOUNG** may keep copies of the Confidential Information that allows performance of the Services Contract.

## SEVEN.- DELIVERY OF INFORMATION BY LEGAL ORDER

- 7.1. In the event that **ERNST & YOUNG** is required by a court or an administrative order or by an order of a different nature to disclose or deliver Confidential Information or any information pertaining to [\_\_\_\_\_] or the Services Contract, **ERNST & YOUNG shall give [\_\_\_\_\_]** written notice immediately, provided such notice is not forbidden by court, for [\_\_\_\_\_] to take such protection measures as may be necessary.
- 7.2. In the event that **ERNST & YOUNG** is forbidden by court to give [\_\_\_\_\_] notice of the requirement of the competent authority to disclose or deliver Confidential Information or any information pertaining to [\_\_\_\_\_] , **ERNST & YOUNG** shall take such protection measures as may be necessary so as to safeguard the confidentiality of required information.
- 7.3. Should the protection measures referred to in the foregoing Sub-clauses fail to be obtained by [\_\_\_\_\_] , **Ernst & Young** may disclose only such information as may be strictly necessary, making its best efforts to ensure that such information is afforded confidential treatment

## EIGHT.- TERM

This agreement shall be in force and effect during performance term of the Services Contract.

## NINE. - GOVERNING LAW, SETTLEMENT OF DISPUTES AND JURISDICTION

- 9.1. The parties expressly agree that all provisions hereof shall be governed by the laws of the Republic of Peru.
- 9.2. The parties agree that any doubt, dispute, disagreement or claim in connection with or arising from this agreement , including the validity, effect of termination thereof, even in connection with the arbitration award, shall be settled directly by the parties. For this purpose, the parties agree hereby to make their best efforts, based on the rules of good faith and the common intent to settle any such possible situation.

Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

9.3. In the event that the parties fail to settle any doubt, dispute, disagreement or claim in connection with or arising from this agreement, including the validity, effect or termination thereof, even in connection with the arbitration award, any party may submit the above to arbitration according to Peruvian law (*arbitraje de derecho*) under applicable laws and the rules of the national and International Settlement and Arbitration Centre of the Lima Chamber of Commerce, to the rules, administration and decision of which the parties unconditionally submit, stating to know them and accept them in full. The parties agree that arbitration shall be conducted by three (3) arbitrators, one elected by each party and the third by the two arbitrators by common agreement, who is to preside over the court of arbitration. The arbitration award shall be final and binding.

Arbitration expenses incurred by the parties shall be borne by the party ruled against.

9.4. Without prejudice of the foregoing, parties agree to submit non-arbitration disputes to the jurisdiction and competence of the Judges and Courts of the Court District of Cercado de Lima (*Distrito Judicial del Cercado de Lima*), waiving hereby to the venues of their places of business.

Executed in two counterparts of identical contents in Lim, on this [\_\_] day of June, 2009.

_____ [_____] [name] [DNI]	_____ Legal Representative of ERNST & YOUNG ASESORES S. CIVIL DE R.L., a member firm of Ernst & Young [name] [DNI]
----------------------------------	---



Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

Annexe VIII Information Request Letter to SUNAT

Information Request Letter to Sunat

Lima, August [ ] 2011

Messrs
Superintendencia Nacional de Administración Tributaria - SUNAT
Attention: División de Servicios al Contribuyente (Taxpayer Services Division)

Dear Sirs,

[ ] (Hereinafter the "Company"), with Taxpayer Registration No. [ ], with registered office at [ ], Lima, duly represented by its General Manager, Mr. [ ], identified by National Identity Document (DNI) No. [ ], pursuant to the power of attorney in Registry File No. [ ] of the Lima and Callao Registry of Legal Entities (Personas Jurídicas de la Oficina Registral de Lima y Callao); hereby respectfully states:

Under procedure No. 58 of the Consolidated Text of Administrative Procedures TUPA (request for reporting determined and informational tax return filed by telematic and electronic means), the Company hereby requests Access and delivery of copies of the information detailed in the Annexe attached to this communication (hereinafter the "Information") , in printed reports or in electronic format txt.

For purposes of handling of this request, we authorise following persons for any of them to take any formal steps and perform any acts as may be necessary to obtain and/or collect the Information:

Table with 2 columns: Name, DNI. Rows 1-9.

For promptness of response to this request, the Company requests that, without prejudice to the notice to be given at our registered office, you also notify us to the fax number [ ] (Attention: [ ]).

Thanking you in advance for your kind attention, we remain,

Truly yours,
[ ]

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## Annexe

Periods requested: This request for information shall cover the 2008 to 2010 fiscal period.

Tax returns requested shall include any amendments or substitutions for the aforementioned fiscal period.

The detail of the requested information is as follows:

### 1. Income Tax

Forms	Information Requested for each Form
<ul style="list-style-type: none"> <li>- PDT 0662 – Fiscal Year 2008 Third Category Income Tax Return.</li> <li>- PDT 0664 – Fiscal Year 2009 Third Category Income Tax Return</li> <li>- PDT 0668 – Fiscal Year 2010 Third Category Income Tax Return.</li> </ul>	<ul style="list-style-type: none"> <li>- RUC and corporate name of the company.</li> <li>- Form order number.</li> <li>- Fiscal Period.</li> <li>- Form Filing date.</li> <li>- Reporting Currency</li> <li>- Box 504</li> <li>- Box 126</li> </ul>

Mining companies reporting information attached to the Annual Income Tax Return shall provide the following information for each concession or Economic Administrative Unit (UEA):

Concession or UEA code	Currency	Income Tax	Other credits not eligible for reimbursement
XXXXX		XXXXX	XXXXX

Companies that extract hydrocarbons and report information attached to their Annual Income Tax Return shall provide the following information by Lot engaged in prospecting or in operations, as applicable:

No. of Lot in Prospecting or Operation	Currency	Income Tax
XXXXX		XXXXX

### 2. Mining Royalties (PDT 698)

PDT 698 used as Tax Return	PDT 698 used as Payment Slip
<ul style="list-style-type: none"> <li>- RUC and corporate name of the company.</li> <li>- Form order number.</li> <li>- Fiscal period.</li> <li>- Form Filing Date.</li> <li>- Box 106 – Royalties payable</li> <li>- Box 598 – Total amount payable.</li> </ul>	<ul style="list-style-type: none"> <li>- RUC and corporate name of the company.</li> <li>- Form order number.</li> <li>- Fiscal Period.</li> <li>- Form Filing Date.</li> <li>- Tax Return Form order number</li> <li>- Box 609: Total amount payable</li> </ul>

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## Annexe IX Classification of the companies signed up to the Second National EITI Reconciliation Study into PRICOs MEPECOs d

No.	Company	No. RUC	Classification
1	Ecopetrol del Perú S.A.	20516980452	Mepeco Lima
2	Graña y Montero Petrolera S.A.	20100153832	Prico Nacional
3	Hunt Oil Company of Perú L.L.C, Peru Division	20467685661	Prico Nacional
4	Savia Perú S.A.	20203058781	Prico Nacional
5	SK Innovation Peruvian Division	20299935648	Prico Nacional
6	Interoil Perú S.A.	20276178599	Prico Piura
7	Olympic Perú INC, Peru Division	20305875539	Prico Nacional
8	Petrobras Energía Perú S.A.	20356476434	Prico Piura
9	Repsol Exploration Perú, Peru Division	20258262728	Prico Nacional
10	Sonatrach Perú Corporation S.A.C	20506766762	Prico Nacional
11	Pluspetrol Norte S.A	20504311342	Prico Nacional
12	Pluspetrol Camisea S.A	20510889135	Prico Nacional
13	Pluspetrol Perú Corporation S.A	20304177552	Prico Nacional
14	Pluspetrol Lot 56 S.A	20510888911	Prico Nacional
15	Maple Gas Corporation del Perú S.R.L.	20195923753	Prico Nacional
16	Perenco Perú Limited Peru Division	20332473388	Prico Lima
17	Pacific Stratus Energy S.A. Peru Division	20517553914	Prico Lima
18	Talisman Perú B.V., Peru Division	20492321011	Mepeco Lima
19	Anglo American Perú S.A.	20523287991	Prico Lima
20	Anglo American Michiquillay S.A.	20516023318	Mepeco Lima
21	Anglo American Quellaveco S.A.	20137913250	Mepeco Lima
22	Anglo American Exploration Perú S.A.	20433819544	Prico Lima
23	Castrovirreyna Compañía minera S.A.	20100163048	Prico Nacional
24	Catalina Huanca Sociedad Minera S.A.C.	20509551767	Prico Nacional
25	Compañía minera Ares S.A.	20192779333	Prico Nacional
26	Compañías de Minas Buenaventura S.A.A	20100079501	Prico Nacional
27	Compañía minera Antamina S.A.	20330262428	Prico Nacional
28	Compañía minera Argentum S.A.	20507845500	Prico Nacional
29	Compañía minera Atacocha S.A.A	20100123500	Prico Nacional
30	Compañía minera Condestable S.A	20100056802	Prico Nacional
31	Compañía minera Milpo S.A.A.	20100110513	Prico Nacional
32	Compañía minera Poderosa S.A.	20137025354	Prico Nacional
33	Compañía minera Raura S.A	20100163552	Prico Nacional
34	Compañía minera San Juan (Perú) S.A.	20342660429	Mepeco Lima
35	Consortio Minero Horizonte S.A.	20136150473	Prico Nacional
36	Empresa Minera Los Quenuales S.A.	20332907990	Prico Nacional
37	Gold Fields La Cima S.A.A.	20507828915	Prico Nacional
38	Lumina Copper S.A.C.	20506363480	Prico Lima
39	Minera Bateas S.A.C.	20510704291	Prico Nacional

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No.	Company	No. RUC	Classification
40	Minera Barrick Misquichilca S.A.	20209133394	Prico Nacional
41	Minera Pampa de Cobre S.A	20268062671	Prico Nacional
42	Minera Suyamarca S.A.C	20513798611	Prico Nacional
43	Minera Yanacocha S.R.L.	20137291313	Prico Nacional
44	Minsur S.A.	20100136741	Prico Nacional
45	Pan American Silver S.A. Mina Quiruvilca	20100120152	Prico Nacional
46	Rio Tinto Minera Perú Limitada S.A.C.	20512365648	Mepeco Lima
47	Sociedad Minera Cerro Verde S.A.A.	20170072465	Prico Arequipa
48	Volcan Compañía minera S.A.A.	20383045267	Prico Nacional
49	Sociedad Minera El Brocal S.A.A.	20100017572	Prico Nacional
50	Southern Perú Copper Corporation, Peru Division	20100147514	Prico Nacional
51	Xstrata Tintaya S.A.	20114915026	Prico Cusco

Source: National Tax Administration Superintendence – SUNAT

PRICO: Major Taxpayer

MEPECO: Medium and Small Taxpayer

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## Annexe X Acronyms and Glossary of Terms

### Annexe X.1 Acronyms

UEA	Economic Administrative Unit ( <i>Unidad Económica Administrativa</i> )
DGH	General Hydrocarbons Directorate ( <i>Dirección General de Hydrocarbons</i> )
DGM	General Mining Directorate ( <i>Dirección General de Minería</i> )
MEF	Ministry of Economy and Finance
MEM	Ministry of Energy and Mines
INGEMMET	Geological, Mining and Metallurgical Institute ( <i>Instituto Geológico Minero y Metalúrgico</i> )
OSINERGMIN	Energy and Mining Investment Supervisory Agency ( <i>Organismo Supervisor de la Inversión en Energía y Minería</i> )
PCM	Presidential Office of the Council Of Ministers ( <i>Presidencia del Consejo de Ministros</i> )
SUNAT	National Tax Administration Superintendence ( <i>Superintendencia Nacional de Administración Tributaria</i> )
EITI	Extractive Industries Transparency Initiative
PRICO	Major Taxpayers
DGAES-MEF	Economic and Social Affairs Directorate of the Ministry of Economy and Finance ( <i>Dirección General de Asuntos Económicos y Sociales del Ministerio de Economía y Finanzas</i> ) (from 2011, called DGDFAS - MEF: General Fiscal Decentralisation and Social Affairs Directorate ( <i>Dirección General de Descentralización Fiscal y Asuntos Sociales</i> ).
DGDFAS-MEF	General Fiscal Decentralisation and Social Affairs Directorate ( <i>Dirección General de Descentralización Fiscal y Asuntos Sociales</i> ) (former DGAES)
DGTP-MEF	General Public Treasury Directorate of the Ministry of Economy and Finance ( <i>Dirección General del Public Treasury del Ministerio de Economía y Finanzas</i> )
EY	Ernst & Young
IIAP	Peruvian Amazon Research Institute ( <i>Instituto de Investigaciones de la Amazonía Peruana</i> )
PDT	Telematic Tax Return Programme ( <i>Programa de Declaración Telemática</i> )
IR	Income Tax
DV	Validity Right
RM	Mining Royalty
RH	Hydrocarbon Royalty
DGGS	General Directorate for Social Management of MINEM ( <i>Dirección General de Gestión Social del MINEM</i> )

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## Annexe X.2 Glossary of Terms

### **Accrual**

The payment obligation assumed in a Budgetary Document as a result of the respective commitment. Includes settlement, identification of the creditor, and determination of the amount, through the respective official document

### **Barrel**

The capacity measurement unit for Liquid Hydrocarbons, consisting of forty-two (42) gallons of the United States of America, corrected to a temperature of 15,55°C (60°F), at sea-level pressure, without water, mud or other sediments.

### **Canon**

Canon is the actual and adequate share to which regional and local governments are entitled in the income and revenues received by the government for the extraction of natural resources for economic purposes (Canon Law).

### **Cartography**

The science dealing with the study and preparation of maps

### **Central government**

The group of entities consisting of Ministries, Offices and other entities within the scope of the Executive Branch. The Central Government includes the agencies thereof that operate regionally or locally.

### **Charge**

The payment generated by actual provision by the government of a public service individualized in the taxpayer.

### **Concentrate**

An intermediate fine and dust-like product of the ore crushing process formed by separation of a valuable metal from waste.

### **Current Year (Validity Right)**

The year in course, for which the validity right or the penalty, as applicable, are payable, in accordance with the extension appearing in the List of Registered Mines.

### **Determination Decision**

The Determination Decision is the act whereby the Tax Administration gives the Tax Debtor notice of the result of its work intended to control performance of tax obligations, and establishes the existence of a tax credit or debt (Article 76 and 77, Tax Code).

### **Distribution Ratio**

A ratio determined by applying statistical data such as poverty rates, population number and money amounts, for purposes of determining the pro rata portion that a specific geographic area will receive as a benefit.

### **Economic Administrative Unit (or Production Unit)**

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The set of mining concessions independent from each other that is set up to meet minimum production and investment requirements. These units are to be located within a radius ranging from 5, 10 to 20 km, according to the type of substance extracted.

## **Exchange Rate**

Value of a currency in terms of another currency

## **Fines**

Financial resources obtained by the government from the enforcement of penalties or any other provisions determining monetary penalties for failure to perform obligations or for breaches of law.

Monetary penalty (payable in cash) imposed for breach of law or of regulations..

## **Fiscal Year**

The period in which Budget Implementation of income and expenses occurs. Corresponds to the calendar year.

## **Gallon (GL)**

Volume measurement unit for liquids, equal to 3,78533 litres. Known as Gallon of the United States of America

## **Gas Royalty**

The fee paid by extractive companies of the gas sector to the Peruvian government for the extraction of gas resources in national territory under Law 27506 (year 2001). This law is applicable to companies conducting production activities in Departments where no previous law on hydrocarbon production activities existed.

Companies that have produced gas before enactment of the aforementioned Law shall continue under the oil canon methodology.

## **General Directorate for Economic and Social Affairs – Ministry of Economy and Finance**

Entity in charge of calculating the ratios based on which the distribution of the Income Tax, and of Mining and Gas royalties is determined in accordance with statistical data.

## **General Directorate of Hydrocarbons**

The entity in charge of proposing and/or enacting, as applicable, the laws and regulations of the Hydrocarbon Subsector applicable to hydrocarbon facilities and prospecting, extraction, and underground operations, and storage, processing, transportation by pipelines, marketing, as well as Safety and Environment, and promoting development thereof and monitoring the implementation of policies and regulations of the Subsector.

## **General Directorate of Mining**

The entity in charge of proposing and/or enacting, as applicable, the laws and regulations of the Mining Subsector for prospecting, exploration, development, mining, concentration, smelting and refining activities, promoting the development thereof and monitoring the implementation of policies and regulations of the Subsector.

## **Geological, Mining and Metallurgical Institute (*Instituto Geológico Minero y Metalúrgico – INGEMMET*)**

The entity in charge of granting Mining Concession Titles, managing the National Mining Cadastre, the validity right and penalties, with transparency and legal certainty. Through research, INGEMMET is also in charge of

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processing, managing and efficiently disseminating geo-scientific information on national territory to promote investment, support development planning and contribute to a better quality of life for Peruvians.

## **Handling Fee (*Derecho de trámite*)**

An amount to be paid to file a mining concession application or for any other filings as required in the TUPA

## **Hectare**

Area of land equal to 10,000 square metres or 2.471 acres.

## **Holder**

An individual or legal entity who has been granted or recognized by the government a right to develop prospecting and/ or operation activities on a source of mineral or hydrocarbon wealth.

## **Hydrocarbon**

Organic compound in gas, liquid, or solid form, consisting mainly of carbon and hydrogen.

## **Hydrocarbon Activities**

Oil-related operations pertaining to prospecting, operation, transformation or refining stages, transportation, marketing and storage of hydrocarbons.

## **Hydrocarbon Deposit**

Surface area below which one or more Deposits are producing or are proven capable of producing hydrocarbons.

## **Hydrocarbon Production Monitoring**

The hydrocarbons produced in a certain Contract area, measured and monitored under the terms and conditions agreed in each contract .

## **Individuals**

In tax terms, individuals are such physical or individual persons, including men and single, widowed or divorced women as well as married women who earn income from their personal work. For tax obligation purposes, marital partnerships and undivided estates are also considered individuals (Días Mosto. Volume IV Page 19).

## **Investment Expenditures**

Investment expenditures generate profit (as investment in stock) or are applied to the purchase of durable assets including, but not limited to, furniture, machinery, equipment and infrastructure. Also known as “capital “ expenditures.

## **Legal Entities**

Unlike the “individual”, a legal entity is an organization vested with rights according to law, entitled to assume obligations, and which may be represented in or out of court (Días Mosto. Volume IV, Page 19)

## **Levy**

Payment, usually in cash, that the government, in exercise of its authority, requires by law to cover the expenses incurred by the government in performance of its duties. The Tax Code governs the legal relationships originated



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by taxes. For these purpose the generic term tax includes levies, contributions and charges (Regulation II of the Tax Code).

## **Licence Agreement**

Under Law 26221, the agreement entered between PERUPETRO S.A. and the Contractor, whereby the Contractor is authorized to prospect or extract hydrocarbons in the Agreement area, under which Agreement PERUPETRO transfers to the Contractor title to the extracted hydrocarbons in exchange of a royalty for the government.

## **List of Registered Mines (*Padrón Minero*)**

The document that serves as a basis for payment of validity right and penalty.

## **Local Government**

Province, District and Delegate Municipalities according to Law, which make up – under the Peruvian Political Constitution- the Local Government Bodies. These municipalities are politically, economically and administratively autonomous in matters under their competence.

## **Market Value**

The recoverable value of inventories and other realizable assets in the normal conduct of business

## **Metallic Minerals**

Minerals with metallic bonds, that have lustre and are ductile, malleable and tenacious, good heat and electricity conductors, and usually dense. Examples: gold, silver, copper, zinc, etc.

## **Mineral**

A homogeneous substance occurring in nature that has definite physical properties and chemical composition and, if formed in natural conditions, have a definite crystal shape.

## **Mines**

Mines are the sources of materials with mineral contents located close to the surface or underground,.

## **Mining Component**

For non-metallic minerals, the product obtained at the end of the treatment processes in accordance with the activities regulated by law, not including subsequent industrial or manufacturing processes. For metallic minerals without international quotation, the mining component is the concentrate or equivalent product.

## **Mining concession**

A mining concession grants the holder thereof the right to prospect and mine the resources under the concession located within a solid of indefinite depth, limited by vertical planes corresponding to the sides of a closed square, rectangle or polygon, the vertices of which refer to Universal Transversal Mercator (UTM) coordinates. The mining concession is real property different and separate from the property on which it is located. Integral and accessory parts of the mining concession maintain their status of real property even if they are located outside the perimeter thereof, unless differentiation of accessory parts is agreed under contract. Work intended to tap the substances

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in the concession area are part of the mining concession. Accessory parts are all assets owned by the concession holder that are permanently applied for the economic purposes of the concession.

## **Mining Concession application (known as *petitorio* in Peru)**

Mining concession application filed with INACC

## **Ministry of Energy and Mines**

The entity of the Executive Branch in charge of developing and evaluating, in consistency with the overall policies and government plans, national electricity, hydrocarbon, and mining policies.

## **Monitored Hydrocarbon**

Hydrocarbon in a Contract Area, measured at a Production Monitoring Point

## **Monitoring Authority**

The authority vested on the Tax Administration to inspect, investigate and control performance of tax obligations, including those of subjects exempted from tax obligations or entitled to tax benefits (Article 62 Of the Tax Code).

## **National Mining Cadastre**

The physical makeup appearing in cartographic documents of the boundaries of areas subject to Mining Titles or requests for prospecting or mining minerals, as well as reserved areas intended for purposes including, but not limited to, public use, natural parks, ecological, agricultural or livestock protection areas, and urban perimeters.

## **Natural Gas**

Hydrocarbon mix in gaseous state. May be found in nature as Associated and Non-Associated Natural Gas. Hydrocarbons can be wet if they contain Condensate and dry if they do not.

## **Non-Metallic Minerals**

Minerals with covalent or ionic chemical bonds with other chemical elements, non-lustrous, usually brittle when they appear in solid form, bad heat and electricity conductors, used even for isolation with lower density than metals. Examples include salt, sand, carbon, fluorine, phosphorus, chlorine, etc.

## **(Peruvian) New Sol - *Nuevo Sol***

The legal tender in Peru since July 1991. (Average exchange rate for US dollar is 3 nuevos soles)

## **Oil (or Petroleum)**

A hydrocarbon mix found in liquid state at the initial pressure and temperature conditions of the Field and maintaining mainly a liquid state at atmospheric conditions. Does not include Natural Gas or Liquefied Natural Gas condensates or liquids.

## **Oil Royalty**

The fee paid by extractive companies of the oil sector to the Peruvian government for extraction of hydrocarbon resources in national territory. Such Royalty is determined and received by Perupetro.

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## **Operation**

Activities associated with an ore deposit, which start at the point where the existence of economically recoverable reserves can be reasonably estimated and, in general, continue until start-up of commercial operation. It refers to the activity of extracting ore or hydrocarbons contained in a deposit or field, as applicable.

## **Payment order**

The Payment Order is the act whereby the Administration demands the tax debtor to pay off the tax debt, for which purpose the Determination Decision need not be issued (Article 78, Tax Code)

## **Penalty Decision**

The act whereby the Tax Administration imposes a penalty for the breach of law or regulations.

## **Possible Reserves**

Hydrocarbon Reserves with lower degree of certainty of being recovered than Proven and Probable Reserves

## **Presidential Office of the Council of Ministers (*Presidencia del Consejo de Ministros*) - PCM**

The Presidential Office of the Council of Ministers – PCM- is the Ministry in charge of coordinating and monitoring national and sectoral policies of the Executive Branch. PCM highest political authority is the President of the Council of Ministers, who is Minister of State. Additionally, the President of the Council of Ministers and the Presidential Office of the Council of Ministers are vested with the same competencies and functions attributed to Ministries and Ministers, as provided in the Organic Law of the Executive Branch – Law No. 29158.

This Ministry coordinates relationships between other Branches of the government, constitutional entities, regional governments, local governments, other Executive Branch entities and civil society, reconciling priorities to verify that the national interest objectives are met. Furthermore, the PCM coordinates with the Ministries and other Executive Branch entities the attention of information requirements by the Legislative Branch, as provided by the Peruvian Political Constitution

## **Previous Year (Validity Right)**

The year containing the overdue and unpaid amount of property fee or penalty debt

## **Probable Reserves**

Estimated Hydrocarbon Reserves with a low degree of probability, insufficient to define whether or not they may be recovered.

## **Prospecting**

The activity intended to determine the size, position, characteristics, reserves and values of ore deposits or hydrocarbon fields

## **Proven Reserves**

Estimated quantities of hydrocarbons on a given date, the existence of which is reasonably proven by geological and engineering information, which may be recovered under the economic conditions, operation methods and governmental regulations then in force at the time.

## **Public Investment Project**

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Any intervention limited in time implying the application of public resource to expand, improve and upgrade the capacity to produce goods or provide services, the benefits of which are independent from those of other projects

## **Public Treasury**

The public assets managed by the Central Government. Revenues of the Public Treasury proceed from the application of taxes, charges, contributions, property revenues, fines and other penalties, etc. Also known as the Exchequer.

## **Refinery**

Industrial facility where Oil, natural gasolines or other hydrocarbon sources are converted to Liquid Fuel. May include diverse products such as Lubricants, Asphalt, Tar, solvents, etc.

## **Regional Government**

The Temporary Regional Administration Councils (*Consejos Transitorios de Administración Regional*) (Departmental CTARs according to Law No. 26922). CTARs are politically, economically and administratively autonomous in matters under their competence and are in charge, within their jurisdiction, of coordinating and implementing regional socio-economic plans, as well as of managing activities and services to be performed by the government according to law. Assets and Revenues owned by the Regions are established by law. Regions provide support to Local Governments but do not substitute them or duplicate their actions or competence.

## **Resident Person**

Any person, whether an individual or legal entity, registered in the tax registers of the country where such person operates.

## **Revenue collection**

The process of collecting revenues, whereby the government receives public resources from taxes, without generating any obligation in return.

## **Royalty**

A monetary amount that a concession holder or operator of a prospecting operation or a mining property pays at regular intervals to the landowner. Usually based on a certain amount per tonne or a percentage of the total production or the earnings. Also, a fee paid for the right to use a proprietary process.

## **Single Taxpayer Registry (*Registro Único de Contribuyentes or RUC*)**

The National Tax Administration Superintendence Register containing information on every individual or legal entity, undivided estate, *de facto* partnership or collective entity, whether Peruvian or foreign and whether or not residing in Peru that, under applicable laws is a taxpayer and/or liable for taxes managed by SUNAT.

## **SUNAT**

The National Tax Administration Superintendence is a decentralised Public Entity of the Economy and Finance Sector organised as a Public Law legal entity, with its own assets and financial, administrative, functional and technical autonomy, whose role is to manage, monitor and collect internal revenue taxes and levies (including Income Tax and mining royalties) other than municipal taxes, and perform the same duties in connection with contributions to the Peruvian Social Security (ESSALUD) and the Pension Standardising Office (ONP)

# Consultoría para la Elaboración del Segundo Estudio Nacional de Conciliación de la Iniciativa de Transparencia para las Industrias Extractivas (ITIE) en el Perú (2008 – 2010) (continuación)

## **Tax Debt**

The debt consisting of taxes, penalties and/ or interest. Interest includes default interest for late payment of the tax referred to in Article 33, the default interest applicable to penalties referred to in Article 181, and interest for deferral and/ or fractioning of payment set forth in Article 36 of the Tax Code (Article 28 of the Tax Code).

## **Tax Debtor**

The tax debtor is the person required to make all tax payments pertaining to it as taxpayer or as the person in charge of an operation (Article 7 of the Tax Code )

## **Tax Obligation**

The tax obligation, which is a public law obligation, is the relationship between the tax creditor and the tax debtor, established by law, intended to ensure payment of taxes. The tax obligation is coercively enforceable (Article 88, Tax Code).

## **Tax Return**

The statement of facts communicated to the Tax Administration as required by Law, Regulations, a Resolution of the Superintendence or similar provision, which may serve as a basis for determination of the tax obligation (Article 88, Tax Code).

## **Taxation**

Refers to the set of obligations to be performed by citizens in connection with their revenues or property, or with the goods or for the services that they provide, for the benefit of the government, to support and supply public services such as defence, transportation, communications, education, healthcare, housing, etc.

## **Taxpayer**

Taxpayer is the person who performs, or in connection with whom the fact generating the tax obligation is generated (Article \*, Tax code)

## **Tax**

That is the levy that, duly paid, does not create a direct obligation in return from the government to the taxpayer.

## **Tonne (metric tonnes)**

Mass unit equal to 1,000 kilogrammes or 2,204.6 pounds

## **UTM (Universal Transversal Mercator) Coordinate**

The coordinate system based on the Universal Transversal Mercator map projection

## **Validity Right**

An amount to be paid to file a mining concession application and subsequently to keep the application in force and effect.

## **Validity Right Distribution**

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The process whereby the revenue collected as validity rights and penalties are allocated to local governments and Mining and Energy Sector entities, at the ratios set forth by law.

## **Well**

A cavity in the earth crust resulting from drilling made to discover or produce hydrocarbons, inject water or gas ,or for other purposes.

## **Working Capital**

A measure of the ability of a company to continue with the normal conduct of its business in the short term

## **Ernst & Young**

**Assurance | Tax | Transactions | Advisory**

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*Ernst & Young is a global leader in audit, tax, transaction and advisory services. Our 700 professionals in Peru, who are part of our 152,000 professionals worldwide, share the same values and a firm commitment to quality .*

*We make a difference helping our people, customers and communities to accomplish their potential.*

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